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#### III. Montana Board of Housing Financial Report - June 30, 2007

# Bond Loans by County

			Average	
County	Loans	Loan Amount	Purchase Price	Average Income
Beaverhead	2	ND	ND	ND
Big Horn	7	\$426,569	\$71,000	\$36,429
Blaine	8	\$429,994	\$52,471	\$35,178
Broadwater	9	\$1,008,070	\$124,357	\$36,251
Carbon	4	\$395,414	\$101,804	\$37,226
Cascade	325	\$37,265,080	\$118,905	\$41,549
Choteau	3	\$173,437	\$68,028	\$31,541
Custer	15	\$803,611	\$54,267	\$35,822
Dawson	12	\$926,057	\$79,694	\$33,592
Deer Lodge	9	\$724,887	\$80,558	\$44,704
Fallon	2	ND	ND	ND
Fergus	15	\$962,795	\$71,220	\$28,666
Flathead	106	\$16,236,326	\$163,404	\$44,746
Gallatin	73	\$11,281,250	\$161,978	\$45,133
Glacier	11	\$672,596	\$65,932	\$33,644
Granite	2	ND	ND	ND
Hill	50	\$4,313,588	\$85,108	\$40,712
Jefferson	12	\$1,542,535	\$129,979	\$42,854
Judith Basin	2	ND	ND	ND
Lake	18	\$1,745,865	\$100,377	\$36,735
Lewis & Clark	124	\$15,917,310	\$140,084	\$41,927
Liberty	3	\$284,034	\$93,333	\$41,178
Lincoln	7	\$590,303	\$85,121	\$33,500
Madison	3	\$412,860	\$136,333	\$38,907
Meagher	1	ND	ND	ND
Mineral	6	\$590,722	\$98,775	\$35,687
Missoula	223	\$33,955,317	\$166,938	\$42,910
Musselshell	5	\$474,352	\$95,800	\$41,125
Park	7	\$1,032,099	\$149,839	\$39,963
Petroleum	1	ND	ND	ND
Phillips	6	\$399,421	\$71,583	\$36,028
Pondera	8	\$398,926	\$62,749	\$34,840
Powell	3	\$211,248	\$70,600	\$34,224
Prairie	1	ND	ND	ND
Ravalli	31	\$4,087,862	\$153,276	\$37,186
Richland	11	\$821,311	\$73,836	\$32,117
Roosevelt	8	\$407,291	\$51,100	\$28,547
Rosebud	4	\$441,654	\$118,575	\$36,956
Sanders	6	\$602,740	\$121,896	\$45,113
Silver Bow	90	\$7,626,595	\$85,473	\$37,715
Stillwater	11	\$1,267,732	\$116,383	\$44,865
Sweet Grass	3	\$293,680	\$120,833	\$34,791
Teton	11	\$895,415	\$85,609	\$37,785
Toole	5	\$279,445	\$54,772	\$35,471
Valley	12	\$662,709	\$55,317	\$33,029
Wheatland	4	\$176,300	\$63,600	\$26,125
Wibaux	1	ND	ND	ND
Yellowstone	361	\$42,240,153	\$125,913	\$37,425
Average			\$126,103	\$39,991
_	4744	4404 400 500	ψ120/100	ΨΟΥ,ΥΥ
Total	1641	\$194,193,590		

# Homebuyer Eligibility Guidelines.

In addition to the traditional loan qualifications of lenders, the following federal eligibility guidelines apply:

- 1. A qualified residence is a single family home, condominium or townhouse. Special exceptions apply for prior ownership of manufactured homes.
- 2. The purchaser of a qualified residence must be a first-time homebuyer, except for a residence located in the following targeted areas:

Blaine County	Hill County	Silver Bow County
Deer Lodge County	Mineral County	Choteau County Census Tract 9401
Flathead County	Missoula County	Daniels County Census Tract 9402
City of Great Falls	Sanders County	Sheridan County Census Tract 9402

Billings/Yellowstone County Census Tract 3

- 3. The residence must be occupied by the owner and must be the homebuyer's primary residence.
- 4. The maximum purchase amount for a home is \$237,031. Maximum loan amount is \$200,160 for an FHA insured loan and \$237,031 for all other loans. Purchase price limits are set yearly by the U. S. Department of Housing and Urban Development (HUD), a federal agency responsible for encouraging housing development.
- 5. The mortgage must be a new loan with the exception of construction loans or other interim financing that does not exceed 24 months.
- 6. The maximum income limits for homebuyers range from \$50,700 to \$76,860 and are based on household size and the location of the home.
- 7. Federal recapture taxes may apply only if all three of the following conditions exist: Homebuyers sell within the first nine years of ownership and their income increases significantly and they make a large profit on the sale of the home. MBOH will reimburse any recapture taxes paid by borrowers who used MBOH loans to purchase a home on or after May 8, 2006.

# FY 2007 Homeownership Program Activity

	<b>Bond Program</b>	MCC Program	MBS Program	TOTAL
# of loans originated	1,610	14	17	1,641
\$ of total home sales	\$203,010,827	\$2,091,010	\$1,834,050	\$206,935,887
\$ of loans originated	\$190,597,489	\$1,860,451	\$1,735,650	\$194,193,590
NEW HOMES				
# of loans on New houses	180	5	-0-	185
\$ of home sales on New houses	\$28,656,789	\$930,000	-0-	\$29,586,789
\$ of loans on New houses	\$26,329,329	\$889,100	-0-	\$27,218,429
EXISTING HOMES	<del>+</del>	7007,200		+,,
# of loans on Existing houses	1,429	9	17	1,455
\$ of home sales on Existing houses	\$174,260,061	\$1,160,710	\$1,834,050	\$177,254,821
\$ of loans on Existing houses	\$164,175,635	\$971,351	\$1,735,650	\$166,882,636
REHABBED HOMES	<del>+</del>	<del>+</del>	+-,:,	+,
# of Rehab loans	1	-0-	-0-	1
\$ of home sales on Rehabbed houses	\$93,977	-0-	-0-	\$93,977
\$ of loans on Rehabbed houses	\$92,525	-0-	-0-	\$92,525
	12 /2 2			11 /2 2
STICK-BUILT HOMES				
# Stick built homes	1,492	14	17	1,523
\$ of home sales on stick-built homes	\$187,149,753	\$2,091,010	\$1,834,050	\$191,074,813
MANUFACTURED HOMES*	, , , , , , , , , , , , , , , , , , , ,	1 /22 /2	, , , , , , , , ,	1 2 12 12 2
# Manufactured homes	113	-0-	-0-	113
\$ of home sales on Manufactureds	\$15,162,274	-0-	-0-	\$15,162,274
MODULAR HOMES	<del>+,,</del>	·		<del>+</del>
# Modular homes	5	-0-	-0-	5
\$ of home sales on Modular homes	\$698,800	-0-	-0-	\$698,800
	+ 0.0 0,0 0.0	·	,	+,
Average Purchase Price	\$126,093	\$149,358	\$107,885	\$126,103
Average Loan	\$118,383	\$132,889	\$102,097	\$118,338
Average Household size	2	2	2	2
Average Borrower age	32	32	31	32
Average Household Income	\$40,017	\$44,203	\$34,008	\$39,991
Number of Communities receiving loans	124	12	6	127
Number of Counties receiving loans	48	9	5	48
8		·		
SETASIDES (included above)				
Number of loans placed in setaside programs	255			
Number of setasides utilized during the year	255			
\$ of home sales in setaside programs	\$28,430,329			
\$ of loans placed in setaside programs	\$28,430,329			
Average Income in setaside program	\$30,405			
Number of Communities receiving loans in setaside program	46			

# Mortgage Credit Certificate Program

The Mortgage Credit Certificate (MCC) Program allows a qualified homebuyer to claim a federal income tax credit for up to 20% of annual mortgage interest paid. The remaining mortgage interest (80%) continues to qualify as an itemized deduction. For example, with a \$100,000 mortgage at 6% interest, the borrower pays \$6,000 in interest the first year. Twenty percent of this amount (\$1,200) can be used to directly reduce the borrower's federal income tax liability. Unused credit can be carried forward for up to three years.

In addition, an amended W-4 can be filed with the borrower's employer, which would reduce tax withholdings and increase the borrower's monthly income by \$100 (\$1,200/12). This tax savings helps the borrower qualify for the mortgage loan or qualify for a larger loan. The borrower will receive a federal income tax credit as long as the same mortgage loan is retained and the home is occupied as the primary residence.

The MCC can be used in conjunction with any loan statewide, except for a loan financed through the MBOH Bond Program. The lender will establish all underwriting criteria, including interest rate, down payment requirements, terms, fees, points and closing costs.

During FY2007, the Montana Board of Housing issued 14 Mortgage Credit Certificates on loans totaling \$1,860,451. The program began operation in 2003.

#### Set-Aside Disbursements in FY 2007

The Montana Board of Housing has some funds that it makes available at an interest rate between ½ and 1 percent lower than the Board's regular interest rate to provide first mortgage funds for special loan programs. In FY 2007, the Board provided 255 loans through these programs for a total of \$23,167,638. A brief description of these programs follows.

#### First Mortgage Loan Pool Set-Aside

In May of 2006, the Board created a pool of funds to provide first mortgages for borrowers who are at or below 80% of area median income and who are receiving down payment assistance from an approved source. Subsequently, a number of set-aside programs were combined into this pool to eliminate the need for each program to apply separately for funds for a specific amount and time period. These programs included: Neighborhood Housing Services, Inc. of Great Falls and the Montana Homeownership Network, Inc; HRC XI Combined affordable housing covering Missoula, Ravalli, and Mineral counties; HRDC IX Set-aside for Gallatin, Park, and Meagher Counties (the Road to Home Initiative); the Town of Bridger set-aside; City of Billings Affordable First-Time Homebuyers Program; City of Lewistown; First Time Homebuyers Savings Account Program; and the Glacier Affordable Housing Foundation. During 2007, this pool provided first mortgage loan funds for 176 families totaling \$17,570,817. The average family income for these loans was \$30,075.

#### MyMontanaMortgage Homeownership Set-Aside

(Fannie Mae Mortgage-Backed Securities)

This program works with Fannie Mae's My Community Mortgage program and is targeted to four special groups: ADA disabled; Section 8 Homeownership programs; Native Americans; and essential workers including teachers, police, fire fighters, and licensed health care workers. In FY2007, the Board purchased 16 loans totaling \$1,594,750. The average family income for these loans was \$34,313.

#### District XI Rent to Own Project

This is a pilot project to work with urban Indian households over a three-year period to become homeowners. During FY2007, the Board provided first mortgage financing of \$96,850 to purchase one home for the rent-to-own program.

#### North Missoula Land Trust Clark Fork Commons Project

Clark Fork Commons is a new construction townhome project that was completed in 2006. MBOH helped finance some of the first-time homebuyers purchasing units in this project. In FY2007, MBOH financed one of these units.

#### **Farmers State Bank Teachers Program**

In partnership with Farmers State Bank, this project provides both first and second mortgage loans to teachers in Ravalli County who are first-time homebuyers and whose household income falls at or below 80% of the area median income. The second mortgage loan is a shared appreciation loan which has no payments due until the first mortgage is paid off. In 2007, MBOH financed 2 homebuyers through this program for a total of \$328,260.

#### **Lake County Housing Program**

This program provides first mortgage funds to go with down payment assistance from Lake County through the state HOME program for households with incomes at or below 80% of area median income. In fiscal year 2007, the MBOH assisted two homebuyers.

#### **Great Hope Homeownership Program**

This program provides first mortgage funds to go with down payment assistance in Lewis & Clark and Jefferson counties for households with incomes at or below 80% of area median income. In FY2007, the MBOH assisted 4 homebuyers for a total of \$419,500. The average income of the households was \$31,720.

#### **Disabled Access Affordable Homeownership Program**

Targeted to people who need architectural modifications to their homes to provide accessibility because of their disability, this program has a sliding scale of income levels tied to lower interest rates. In fiscal year 2007, MBOH assisted 11 households with first mortgage loans totaling \$978,955. Average household income was \$23,600.

#### **Lot Refinance Program**

Federal restrictions on MBOH regular loan funds prohibit refinancing of new construction over 24 months. This program was established using special funds that don't have these restrictions to finance first mortgages for families that have owned the land under their new home for more than 24 months prior to construction. In FY2007, MBOH financed one loan in this program.

#### **Habitat for Humanity Mortgage Reinvestment Program**

MBOH purchases first mortgage loans on homes built through local Habitat Chapters. This financing allows local Habitat for Humanities affiliates to recover the construction costs and start construction on additional homes rather than receiving loan payments over 30 years. In fiscal year 2007, MBOH purchased two Habitat homes. Households served had incomes below 60% of median area income.

#### **City of Malta Homeownership Program**

The City of Malta was awarded state HOME funds to provide a down payment assistance program for households in Malta. MBOH provided first mortgage funds for one of these homes in fiscal year 2007.

#### **HUD Section 184 Indian Housing Program**

HUD provides mortgage insurance for loans to Native Americans. MBOH provided first mortgage funds of \$1,170,827 for 12 families under this program in FY2007, at the lower set-aside interest rate. Average income per household was \$37,327.

#### **Rural Development Loan Leveraging Program**

Funds from Rural Development (RD) are leveraged with interest rates that range from 1% for borrowers whose income does not exceed 50% of the area median, to 3% for borrowers whose income does not exceed 60% of median income. MBOH provides 50% or less of the total loan needed through a first mortgage, and RD provides the rest of the funds as a second mortgage at these low rates. As a result, MBOH can help provide homeownership for lower income households. In fiscal year 2007, MBOH assisted 7 households with \$175,295 of funds. The average household income was \$24,771.

# History of Homeownership Recycled and Special Program Funds

Programs

Total Loan Amount from inception through June 30, 2007

Neighborhood Housing Services	\$76.426.000
Cash Assistance Program	
Missoula Affordable Housing	
Human Resource Council XI	
Havre	
Billings Hi-Sierra	
City of Billings	
Dream Montana	
City of Kalispell	' ' '
Livingston	
Butte-Silver Bow	
Ronan 4-Plex	
Lewistown	
Glendive Affordable Housing	
Red Lodge	
Shelby	
Helena	
Laurel	
Disabled Accessible	
Western MT Mental Health	
Missoula Hillside	
FHA 203 (K)	
First Time Homebuyer Savings	
Land Refinance	
Habitat 0%	
Glacier Affordable Housing	\$9,451,487
Richland County	
Energy Loan	\$2,679,049
Ravalli County	\$1,114,548
HUD 184	\$4,152,690
Native American Loan Guarantee	\$15,000
Rural Development Loan Leverage	\$16,500,265
Missoula Joint Venture	\$1,137,447
Missoula County	\$215,000
RD Mutual Self-Help Loan	\$121,534
MBS Fannie Mae Homeownership	\$2,428,808
Bozeman HRDC	\$1,938,160
Clark Fork Commons	\$879,421
Town of Bridger	
Ravalli County Teacher's Program	\$774,469
Lake County	
City of Malta	
Special program loans	\$4,826,921

# Revolving Loan Account

The 1999 Legislature found that current economic conditions, federal housing policies and declining resources at the federal, state and local levels adversely affect the ability of low-income and moderate-income persons to obtain safe, decent and affordable housing. Because of this, the Revolving Loan Account was established.

This account is used to provide loans to projects providing affordable housing in Montana. These projects typically need that last small piece of financing to make them feasible.

The Montana Board of Housing received a \$1.5 million grant from the Federal Home Loan Bank of Seattle through its Affordable Housing Program. This grant was specifically earmarked for the Montana Preservation Project. In order to maximize other funding sources, the grant was loaned by the MBOH to each project as 50-year deferred mortgages. If a project generates additional income, the loans may begin to pay back the money. But, if sufficient income is not generated, the loans will not be paid for 50 years. The MBOH has placed these mortgages in the Revolving Loan Account. But, as previously stated, these loans may or may not begin to be repaid for 50 years. The following is a list of these loans:

Project	Location	Amount
<ol> <li>Columbia Villa</li> <li>Darlinton Manor</li> <li>LaVatta Villa (Pebblestone Square)</li> <li>Parkside Village</li> <li>Valley View</li> <li>Big Sky Apts.</li> <li>Green Meadow Apts.</li> <li>Parkside Apartments</li> </ol>	Columbia Falls Bozeman Deer Lodge Missoula Kalispell Kalispell Libby Hamilton	\$ 316,800 \$ 55,000 \$ 60,000 \$ 10,400 \$ 551,200 \$ 202,368 \$ 234,600 \$ 69,632 \$1,500,000
Funded through TANF		\$1,500,000
9. TANF Loans (74 loans, down payment/closing) Variou	s \$ 778,686	
Funded through RLA funds		
10.Gold Dust 11.Ronan Main Street 12.Franklin School	Missoula Ronan Great Falls	\$ 143,000 \$ 65,000 \$ 300,000 \$ 508,000

The 2001 Legislature added three other funding sources to the Revolving Loan Account. Two sources are \$500,000 from the Section 8 reserve account and approximately \$3.4 million from the Temporary Assistance to Needy Families Grant (TANF). These two funding sources are transfers from existing programs. The third source is from direct donations that would qualify for a tax credit. These sources began July 1, 2001. The TANF funds were reduced to \$700,000 by the 2002 special legislative session, which met in August of 2002.

\$2,786,686

# Multifamily Bond Program

The Montana Board of Housing (MBOH) has issued several series of bonds to finance specific projects. In addition to financing projects from bond proceeds, the MBOH used funds within the indenture to finance projects. The following sections illustrate these programs and current loans.

### PROJECTS FINANCED UNDER SECTION 8 "NEW CONSTRUCTION" PROGRAM AND OTHER HUD PROGRAMS

Pe	rmanent			Original	Construction	Mortgage
	Series and Project:	Location	Units	Principal Amount	Loan Rate	Loan Rate
	1978 Series A: Clark Fork Manor	Missoula	134	\$4,628,000	8.0%	7.0%
	1979 Series A (1992 Series A): Crestwood Inn	Sidney	72	\$2,188,500	9.0%	7.5%
	Broadview Manor Subtotal	Great Falls	20 92	\$713,200 \$2,901,700	8.5%	7.5%
	Other: Miles Building - Bid	Livingston	40	\$1,081,885	14.5%	NA
	Subtotal	gs.co	40	\$1,081,885	5 / 0	
	1980 Series A Construction	on Loan Notes:				
	Cedar View	Malta	32	\$1,269,900	11.0%	NA
	Chair III	Whitefish	16	\$618,400	11.0%	NA
	El Dorita Village	Kalispell	36	\$1,092,000	11.0%	NA
	Rose Park Plaza	Billings	112	\$3,222,100	11.0%	NA
	Subtotal		196	\$6,202,400		
	Total		462	\$14,813,985		

#### PILOT PROGRAM FOR MULTIFAMILY RENTAL HOUSING

In February 1993, the MBOH introduced its Pilot Program for Rental Housing by seeking proposals to develop multifamily rental housing from governmental units, nonprofits attached to governmental units and private nonprofits. These projects were funded with monies in the Multifamily Trust Indenture. Since its inception, the MBOH has given loans through the Multifamily Pilot Program for Rental Housing to nonprofit and governmental sponsors for the following projects:

	Location	Units	Original Principal	Permanent Mortgage
Project:			Amount	Loan Rate
LOANS CLOSED				
Minnesota - pf.	Missoula	2	\$42,000	6%
Strand	Missoula	2	\$64,000	6%
Ronan Duplex	Ronan	2	\$86,963	6%
Ronan 4-Plex	Ronan	4	\$121,933	6%
Courtyard	Kalispell	16	\$271,000	6%
Bozeman Interfaith (Dairy Keep)	Bozeman	9	\$227,557	6%
Holland Park	Great Falls	16	\$266,000	6%
Spring Garden	Billings	8	\$121,000	6%
Total		59	\$1,200,453	

#### RISK SHARING PROGRAM FOR MULTIFAMILY HOUSING

On June 13,1994, the MBOH received final approval from the Department of Housing and Urban Development (HUD) to participate in the Risk Sharing Program. The Risk Sharing Program works in partnership with HUD. HUD provides mortgage loan insurance and the MBOH provides mortgage underwriting, loan management and financing. The two entities share the risk of loss from a project default. Some of these loans are funded with bond proceeds and some are funded with monies in the Indenture. Currently the MBOH has the following projects:

			Original	
Project:	Location	Units	Mortgage	Rate
CLOSED LOANS				
West Babcock	Bozeman	24	\$830,000	7.25%
Phillips Apts.	Missoula	8	\$269,000	6.00%
The Miles Building	Livingston	40	\$550,000	6.00%
Big Sky Manor	Kalispell	60	\$797,436	9.75% Taxable
Columbia Villa	Columbia Falls	36	\$781,635	4.59%
Darlinton Manor	Bozeman	100	\$2,406,305	4.59%
La Vatta Villa	Deer Lodge	24	\$437,147	4.59%
Parkside Village	Missoula	104	\$3,233,511	4.59%
Valley View	Kalispell	52	\$1,141,402	4.59%
Green Meadow Manor	Libby	34	\$402,564	9.75% Taxable
	·			
		482	\$10,849,000	

(all Risk sharing loans also have a .5% MIP payment in addition to mortgage rate)

#### G.O. PROGRAM FOR MULTIFAMILY RENTAL HOUSING

The MBOH's General Obligation (G.O.) Program for Multifamily Rental Housing provides mortgage financing to owners of qualifying housing when the owner agrees to restrict the rents to a specific amount and to rent only to tenants below a maximum income level (generally 50 or 60% of median income). Currently, this program is financing the permanent loans for small projects that receive multiple sources of funding through other programs where rents on the project are affordable to very low income state residents. This program is funded through the Boards's first G.O. bond issue in 1998. The G.O. rating of A2 allows the MBOH to issue bonds to finance projects that rating agencies would not rate highly on a stand-alone basis. The G.O. rating allows the MBOH to use its financial and management strength to leverage projects that would otherwise be impossible to finance. Currently the MBOH has the following projects:

		Original	
Location	Units	Mortgage	Rate
JLTIFAMILY RE	ENTAL HOUSI	NG:	
Whitefish	4	\$138,037	6.00%
Bozeman	20	\$567,500	7.00%
Superior	8	\$128,000	6.5%
Hamilton	24	\$237,000	5.50%*
Hamilton	24	\$95,0000	1.00%
			*(rate bought down from 6%)
	*56	\$1,165,537	
	JLTIFAMILY RE Whitefish Bozeman Superior Hamilton	ULTIFAMILY RENTAL HOUSING Whitefish 4 Bozeman 20 Superior 8 Hamilton 24 Hamilton 24	Location Units Mortgage JLTIFAMILY RENTAL HOUSING:  Whitefish 4 \$138,037  Bozeman 20 \$567,500  Superior 8 \$128,000  Hamilton 24 \$237,000  Hamilton 24 \$95,0000

# Low Income Housing Tax Credit Program

The Low Income Housing Tax Credit, established by Congress in the Tax Reform Act of 1986, is intended to provide for the retention, rehabilitation and construction of low income rental housing. Through the tax credit, developers and owners of qualified housing receive an annual federal tax credit for 10 years, based on the number of housing units provided to low income individuals and families. In Fiscal Year 2007, the Board allocated \$2,355,324 in current and returned tax credits to assist in the development of six projects containing 183 low income housing units with total projected development costs of \$32.9 million. Since the inception of the program in November, 1987, the tax credit has been utilized in the rehabilitation and production of 5,093 low income housing units in 173 separate projects with total construction costs of \$374,389,134. This comprises over 50% of multifamily rental housing development in the state.

#### Low Income Housing Tax Credit Program Allocation by City 1987 through June 30, 2007

<u>City</u>	Number of Developments	Number of LIHTC Units	LIHTC Allocated	Total Development Costs*
Absorakee	1	32	15,134	755,867
Anaconda	1	10	112,213	1,024,463
Belgrade	4	84	322,250	4,279,966
Big Fork	2	56	273,823	4,215,633
Big Sky	2	48	205,749	2,559,787
Big Timber	1	24	36,186	1,149,013
Billings	18	800	3,333,322	46,981,279
Bozeman	12	533	3,723,271	42,338,346
Browning/Heart Butte	4	130	1,631,105	16,894,657
Butte	2	68	375,712	5,054,364
Chester	1	6	3,030	275,296
Chinook	1	12	7,156	201,224
Columbia Falls	4	92	171,913	5,231,174
Corvalis	2	36	316,969	
	1			3,160,249
Cut Bank		19	31,659	1,034,474
Darby	2	16	162,500	1,699,659
Deer Lodge	2	48	42,673	1,404,865
Dillon	1	24	190,539	2,087,831
Elmo	1	10	64,000	455,136
Forsyth	2	36	54,228	1,724,391
Fort Belknap - scattered site	4	98	999,984	12,167,841
Fort Benton	1 1	10	13,938	355,562
Fort Peck - scattered site		23	265,739	3,480,839
Glasgow	1 1	6 18	9,780	298,101
Glendive Great Falls	6	294	177,835 1,083,018	2,278,045 18,109,015
Hamilton	5	146	955,431	11,392,780
Hardin	2	40	77,324	1,937,806
Havre	7	30	32,660	873,588
	9			
Helena		314	2,563,365	30,497,910
Hysham	1	12	28,373	765,857
Joliet	1	1	1,409	35,313
Kalispell	10	368	1,268,890	19,960,615
Laurel	2	40	176,345	2,273,121
Lewistown	1 1	24 34	259,000 167,502	3,652,599
Livingston	3	82	167,502 257,188	2,791,239 4,342,566
Livingston Medicine Lake	1	4	3,595	78,576
Miles City	2	53	290,543	6,086,586
•	23			
Missoula Pablo	6	844	5,051,972	70,761,917
Plains	1	111	994,442	13,083,108
			11,600	310,923 9,951,522
Polson	4	142	743,502	
Red Lodge	1	32	178,520	2,135,786
Ronan	4	43	193,317	2,114,463
Scobey	1	11	13,980	612,000
Shelby	1	12	16,960	487,300
St Ignatius	1	9	11,000	264,260
Stevensville	1	30	37,178	1,044,900
West Yellowstone	1	53	178,193	2,563,215
Whitefish	5	110	475,517	6,884,629
Winnett _	1	6	9,626	269,478
Total	173	5,093	27,621,158	374,389,134

<sup>\*</sup>Inclusive of estimate costs of developments not yet completed.

## Reverse Annuity Mortgage (RAM) Program

PURPOSE: Many senior citizens in Montana own their own homes and have little or no remaining mortgage debt. Many of these homeowners are persons of lower income who would benefit from an additional income source from the use of equity in their homes. The reverse annuity mortgage loans allow senior homeowners to provide more substantially for their own in-home support and specialized care.

Mortgage Interest Rate: 5.0%

Age Requirement: All borrowers must be 68 years of age or older. Some exceptions may apply.

Income Limit: The borrower's annual family income must not exceed the following:

1 person household \$20,420 2 person household \$27,380 3 person household \$34,340

Property Eligibility: The home must be located in Montana. The borrowers must be the owner and occupant of a single-family dwelling that is unencumbered by any prior mortgage, lien or pledge. A single-family dwelling means a one- to four-family living unit, excluding a singlewide mobile home. A single-family dwelling must meet minimum FHA property standards as determined by an FHA appraisal.

Loan Amount: The loan amounts range from a minimum of \$15,000 to a maximum of \$150,000. The maximum loan amount is based on 80% of the FHA determined property value.

Payment Terms: The net loan proceeds are advanced monthly to the borrowers based on a 10-year term.

Lump Sum Advances: Lump sum advances are available at loan closing. Thirty thousand dollars is available for such items as payment of prior mortgages, liens and pledges or for needed repairs to the home. Some exceptions may be considered. An advance is available for certain loan closing costs. Lump sum advances reduce the amount of the monthly loan advance.

Counseling: Potential borrowers must complete a reverse annuity mortgage counseling program in order to submit an application. The counseling network is provided through the Montana Aging Services Network.

Applications: Applications are obtained by contacting the Montana Board of Housing, P.O. Box 200528, Helena, Montana 59620-0528, telephone 841-2849, 1-800-761-6264, or by contacting the Office on Aging, P.O. Box 204001, Helena, Montana 59620-4001, telephone 1-800-332-2272. The applications may be completed during the required reverse annuity mortgage counseling.

# Reverse Annuity Mortgage Program Statistics

COMMUNITY	NUMBER OF <u>LOANS</u>	HOUSE HOLD <u>SIZE</u>	AVERAGE BORROWER <u>AGE</u>	AVERAGE LOAN <u>AMOUNT</u>	AVERAGE ANNUAL INCOME	AVERAGE MONTHLY PAYMENTS
Alberton	1	1	77	\$40,000	\$9,232	\$192.11
Ashland	1	1	64	\$20,800	\$6,168	\$94.57
Belgrade	2	1, 2	80	\$60,000	\$12,229	\$142.90
Big Timber	1	1	73	\$50,000	\$9,288	\$285.80
Billings	20	12@1, 8@2	78	\$76,900	\$12,810	\$358.30
Bozeman	3	1, 1, 1	78	\$63,000	\$12,363	\$355.04
Butte	4	2@1, 2@2	76	\$36,100	\$10,619	\$201.30
Charlo	1	2	78	\$150,000	\$18,312	\$843.24
Circle	1	1	71	\$41,600	\$9,348	\$258.33
Clinton	1	1	74	\$100,000	\$15,264	\$603.28
Columbus	3	1, 2	82	\$73,333	\$14,261	\$337.61
Conrad	1	2	74	\$100,000	\$17,500	\$599.15
Corvallis	2	1, 2	73	\$110,000	\$11,199	\$291.00
Cut Bank	2	1, 2	75	\$54,000	\$12,874	\$336.80
Darby	1	2	83	\$70,000	\$12,045	\$413.28
Deer Lodge	1	1	76	\$51,200	\$6,368	\$317.84
Dillon	4	3@1, 1@2	79	\$80,260	\$11,831	\$416.79
Glendive	2	1,1	76	\$53,240	\$9,208	\$305.00
Great Falls	17	11@1, 6@2	76	\$60,980	\$12,356	\$295.28
Hamilton	5	4@1, 1@2	75	\$63,840	\$12,870	\$310.59
Havre	2	1, 2	79	\$34,000	\$14,070	\$183.19
Helena	15	12@1, 3@2	74	\$81,626	\$13,514	\$377.44
Joliet	1	1	73	\$60,000	\$16,006	\$341.13
Kalispell	7	4@1, 3@2	78	\$83,285	\$11,922	\$355.04
Laurel	1	2	84	\$40,240	\$11,039	\$223.21
Lewistown	1	1	70	\$65,000	\$3,312	\$376.20
Libby	2	2@2	78	\$75,000	\$13,560	\$630.80
Livingston	4	2@1, 2@2	81	\$85,000	\$13,425	\$514.13
Lolo	1	2	75	\$100,000	\$18,400	\$598.47
Malta	1	1	70	\$16,800	\$5,280	\$64.50
Manhattan	1	1	71	\$50,000	\$8,943	\$285.97
Miles City	1	1	69	\$22,417	\$84,000	\$285.97
Missoula	8	5@1, 2@2, 1@3	79	\$68,100	\$12,888	\$368.68
Polson	2	1, 1	75	\$92,136	\$8,967	\$356.54
Reed Point	2	1, 2	75	\$79,500	\$9,665	\$433.42
Reygate	1	1	87	\$44,000	\$8,034	\$255.77
Shelby	1	1	75	\$50,000	\$9,330	\$285.80
Sheridan	4	1, 3@2	76	\$69,100	\$15,496	\$432.87
Sidney	2	2@2	78	\$37,600	\$21,144	\$206.95
Somers	1	1	71	\$25,000	\$5,314	\$136.68
St. Regis	1	1	62	\$88,248	\$7,188	\$0.00
Stevensville	3	3@1	76	\$66,000	\$11,472	\$157.46
Townsend	3	2@1 1@2	78	\$60,000	\$8,447	\$315.00
Twin Bridges	1	1	72	\$16,428	\$35,200	\$99.98
Vida	1	2	71	\$52,400	\$12,732	\$295.13
Virginia City	1	2	71	\$50,000	\$18,101	\$320.66
Whitehall	1	1	75	\$74,320	\$15,036	\$85.35
Wolf Point	1	1	93	\$39,920	\$10,727	\$247.70
Total Loans:	143					

#### July 1, 2006 - June 30, 2007 PROGRAM ACTIVITY

NEW LOANS 17
PREPAID LOANS 6
TOTAL, FISCAL YEAR, LOAN
ACTIVITY
TO DATE 23

#### **OVERALL PROGRAM ACTIVITY & AVERAGES**

ACTIVE LOANS: 81
PENDING LOANS: 5
PREPAID LOANS: 63
TOTAL LOANS: 149

No. of People helped:

AVERAGE AGE OF BORROWER: 76
AVERAGE ANNUAL INCOME OF BORROWER: \$12,565.00
AVERAGE LOAN AMOUNT: \$68,667.00
AVERAGE MONTHLY PAYMENT TO BORROWER: \$331.00

#### LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor Tori Hunthausen, Chief Deputy Legislative Auditor



Deputy Legislative Auditors: James Gillett Angie Grove

#### INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee of the Montana State Legislature:

We have audited the accompanying Statement of Net Assets of the Montana Board of Housing, a component unit of the state of Montana, as of June 30, 2007, and 2006, and the related Statement of Revenues, Expenses, and Changes in Net Assets, and Statement of Cash Flows for each of the fiscal years then ended. The information contained in these financial statements is the responsibility of the board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Board of Housing, as of June 30, 2007, and 2006, and the results of its operations and cash flows for the fiscal years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying Management's Discussion and Analysis is not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standard Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Combining Statement of Net Assets as of June 30, 2007, with comparative totals as of June 30, 2006, and the related Combining Statement of Revenues, Expenses, and Changes in Net Assets and Combining Statement of Cash Flows for the fiscal years then ended, are presented for purposes of additional analysis and are not a required part of the financial statements of the Montana Board of Housing. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

The other data included in this Annual Report was not audited by us, and accordingly, we express no opinion on such data.

Respectfully submitted,

/s/ James Gillett

James Gillett, CPA Deputy Legislative Auditor

October 30, 2007

# Montana Board of Housing A Component Unit of the State of Montana Management's Discussion and Analysis Year Ended June 30, 2007

This section of the Montana Board of Housing's (MBOH's) annual financial report presents our discussion and analysis of the agency's financial performance during the fiscal year ended June 30, 2007. Please read this section in conjunction with the financial statements and accompanying notes.

#### **Financial Summary**

- 1,610 single-family mortgages were originated for \$190 million.
- \$2,275,000 of Low Income Tax Credits were allocated providing approximately \$21 million of equity to produce or preserve 183 units of affordable rental housing.
- 17 new Reverse Annuity Mortgage (RAM) Loans were originated bringing the total active RAM loans to 81. Since its inception the RAM program has assisted 144 elderly households.
- Total new debt issued was \$244 million.
- Total debt retired was \$132 million.
- Total outstanding debt increased from \$805 million to \$917 million.
- Net Assets increased by \$6 million during the 2007 fiscal year (see Condensed Financial Information on the following page)

#### **Overview of the Financial Statements**

The MBOH is a self-supporting entity using no Montana state government general fund appropriations to operate. The MBOH is classified as an enterprise fund, that is, a fund which is financed and operated in a manner similar to a private business enterprise.

The Net Assets – Restricted for Bondholders represent bond program funds that are pledged as collateral for the bondholders and are restricted by federal tax law to costs directly related to carrying out qualifying housing programs, qualifying mortgages or paying off bonds. These funds are therefore not available for use for other non-housing activities.

The financial statements are designed to provide the stakeholders of the MBOH, our citizens, taxpayers, legislatures, customers, clients, investors and creditors, with an overview of our finances and to demonstrate our accountability for the resources with which we are entrusted.

#### Montana Board of Housing Condensed Financial Information

#### Change in Net Assets and Operating Income Years ended June 30, 2007, 2006 and 2005

			<u>2007</u>		<u>2006</u>		2005
Assets:							
Current Assets	(1)	\$	233,646,575	\$	203,133,566	\$	209,903,196
Noncurrent Assets	(1)		833,539,558	\$	745,299,548	\$	698,828,844
Total Assets		\$	1,067,186,133	\$	948,433,114	\$	908,732,040
Liabilities:							
Current Liabilities		\$	17,139,993	\$	15,034,303	\$	14,545,671
Noncurrent Liabilities	(2)	Ψ	903,808,300	\$	793,399,678	\$	756,226,009
Total Liabilities	(2)	\$	920,948,293	\$	808,433,981	<u>φ</u> \$	770,771,680
Total Elabilities		Ф	920,940,293	Ф	000,433,901	Ф	770,771,000
Net Assets:							
Invested in Capital Assets		\$	52,210	\$	55,004	\$	80,881
Restricted			146,185,630	\$	139,944,129	\$	137,879,479
Total Net Assets		\$	146,237,840	\$	139,999,133	\$	137,960,360
Operating Revenue:							
Interest on Loans	(3)	\$	44,069,482	\$	38,553,706	\$	37,146,816
Earnings from Investments	(4)		10,523,898	\$	6,620,427	\$	10,967,626
Fees and Charges			759,513	\$	980,177	\$	751,260
Total Operating Revenue		\$	55,352,893	\$	46,154,310	\$	48,865,702
Operating Expenses:							
Bond Expenses	(5)	\$	43,462,165	\$	38,883,157	\$	37,837,519
Servicing Fees			2,860,236	\$	2,534,835	\$	2,376,194
General and Administrative			2,791,514	\$	2,685,985	\$	2,245,652
Total Expenses		\$	49,113,915	\$	44,103,977	\$	42,459,365
Operating Income		\$	6,238,978	\$	2,050,333	\$	6,406,337
Payment to Primary Government			(271)				
Increase (Decrease) in Net Assets		\$	6,238,707	\$	2,050,333	\$	6,406,337
Net Assets, Beginning of Year			139,999,133		137,960,360		131,554,023
Prior Period Adjustment			0	\$	(11,560)		
Net Assets, End of Year		\$	146,237,840	\$	139,999,133	\$	137,960,360

Discussion of Changes between 2007 and 2006

- (1) Current assets increased by \$30 million between 2007 and 2006 due to 2007B unexpended bond proceeds and growth in mortgages receivable and investments.
- Mortgages Receivable increased \$89 million between years causing the increase in noncurrent assets.
- (2) Noncurrent Liabilities increased \$110 million which is wholly attributable to increased Bonds Payable amount caused by the board issuing new bonds during the year. Financial Statement Note 8 contains details.
- (3) Mortgage Loan Interest increased \$5.5 million primarily due to a larger loan portfolio than 2006.
- (4) Earning from investments increased \$3.9 million; \$2 million from greater amounts invested and \$1.9 million in valuation changes required by GASB 31 (Financial Statements Note 1 Investments).

  In 2006, the reported unrealized loss was \$2.9 million for the GASB 31 valuation compared to \$1 million in 2007.
- (5) Bond Expenses and Servicing Fees increased due the greater number of bonds issued and outstanding and the greater number of mortgages being serviced.

#### MONTANA BOARD OF HOUSING A COMPONENT UNIT OF THE STATE OF MONTANA STATEMENT OF NET ASSETS AS OF JUNE 30, 2007 AND 2006

		FY 2007		FY 2006
ASSETS				
Current Assets	•	40.047.070	•	7.070.400
Cash and Cash Equivalents	\$	13,817,978	\$	7,870,436
Investments Mortgage Loans Receivable		198,334,275 16,178,048		177,112,947
Interest Receivable		5,241,313		13,191,347 4,677,039
Due from Primary Government		8,232		7,328
Due from Other Governments		1,525		7,320
Security Lending Collateral		1,525		41,972
Prepaid Expense		65,204		232,497
Total Current Assets	\$	233,646,575	\$	203,133,566
Noncurrent Assets				
Investments	\$	23,059,234	\$	26,540,652
Mortgage Loans Receivable		799,347,698		710,945,504
Mortgage Backed Securities		2,361,544		
Deferred Bond Issuance Costs, Net		8,718,872		7,758,388
Capital Assets, Net		52,210		55,004
Total Noncurrent Assets	_\$_	833,539,558	_\$_	745,299,548
TOTAL ASSETS	\$	1,067,186,133	\$	948,433,114
LIABILITIES				
Current Liabilities	æ	EG2 072	æ	440.673
Accounts Payable  Due to Primary Government	\$	563,873 19,158	\$	440,673 21,524
Security Lending Liability		19,130		41,971
Accrued Interest - Bonds Payable		4,165,248		3,519,431
Bonds Payable, Net		11,735,000		10,650,000
Arbitrage Rebate Payable to U.S.		11,733,000		10,030,000
Treasury Department		590,054		314,204
Accrued Compensated Absences		66,660		46,500
Total Current Liabilities	\$	17,139,993	\$	15,034,303
Noncurrent Liabilities				
Bonds Payable, Net	\$	905,594,144	\$	794,476,577
Deferred Refunding Costs		(2,475,726)		(1,991,845)
Arbitrage Rebate Payable to U.S.				
Treasury Department		606,900		826,928
Accrued Compensated Absences	_	82,982		88,018
Total Noncurrent Liabilities	_\$_	903,808,300	_\$	793,399,678
TOTAL LIABILITIES	\$	920,948,293	\$	808,433,981
NET ASSETS				
Invested in Capital Assets, Net	\$	52,210	\$	55,004
Restricted for Bondholders:		0_,0	*	33,33
Unrealized (losses) gains on investments		583,279		1,606,245
Single Family Programs		101,362,438		86,521,510
Various Recycled Mortgage Programs		23,152,201		34,085,292
Multifamily Programs		10,339,931		9,838,105
Multifamily Project Commitments		216,412		220,867
Reverse Ánnuity Mortgage Program		7,658,025		4,825,002
Restricted for Affordable Revolving Loan Program		2,873,344		2,847,108
TOTAL NET ASSETS	\$	146,237,840	\$	139,999,133

The accompanying notes are an integral part of these financial statements.

# MONTANA BOARD OF HOUSING A COMPONENT UNIT OF THE STATE OF MONTANA STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

			FY 2007		FY 2006
OPERATING REVEN		_		_	
	Interest Income - Mortgage Loans	\$	44,069,482	\$	38,553,706
	Interest Income - Investments		11,546,853		9,578,702
	Fee Income		316,117		315,600
	Federal Financial Assistance		379,045		598,450
	Net Increase (Decrease)				
	in Fair Value of Investments		(1,022,965)		(2,958,275)
	Other Income		64,270		65,519
	Securities Lending Gross Income		91		609
	Total Operating Revenues	\$	55,352,893	\$	46,154,311
OPERATING EXPEN	ISES				
	Interest on Bonds	\$	41,455,972	\$	37,272,424
	Servicer Fees		2,860,236		2,534,834
	Contracted Services		1,144,148		1,039,470
	Amortization of Bond Issuance Costs		1,058,667		362,622
	General and Administrative		1,647,275		1,645,907
	Arbitrage Rebate Expense		356,308		300,379
	Loss on Redemption		591,218		947,732
	Securities Lending Expense		91		609
	Total Operating Expenses	\$	49,113,915	\$	44,103,978
	Operating Income (Loss) Before Transfers		6,238,978		2,050,333
	Payment to Primary Government		(271)		, ,
	Increase (Decrease) in Net Assets	\$	6,238,707		2,050,333
	Net Assets, Beginning of Year		139,999,133		137,960,360
	Prior Period Adjustment				(11,560)
	Net Assets, End of Year	\$	146,237,840		139,999,133

The accompanying notes are an intergral part of these financial statements.

#### MONTANA BOARD OF HOUSING A COMPONENT UNIT OF THE STATE OF MONTANA STATEMENT OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

		2007		2006
CASH FLOWS FROM OPERATING ACTIVITY Receipts for Sales and Services Collections on Loans and Interest on Loans Cash payments for Loans Federal Financial Assistance Receipts	\$	311,222 143,401,084 (191,659,532) 377,519	\$	315,600 142,053,626 (153,394,580) 631,089
Payments to Suppliers for Goods and Services Payments to Employees Other Operating Revenues		(4,454,975) (954,809) 70,723		(4,287,654) (968,617) 67,872
Net Cash Provided (Used) by Operating Activities	\$	(52,908,768)	\$	(15,582,664)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Payment of Principal and Interest on Bonds and Notes Proceeds from Issuance of Bonds and Notes	\$	(173,406,804)	\$	(154,169,130)
Payment of Bond Issuance Costs		239,910,000 (2,565,797)		152,840,000 (2,275,232)
Premium Paid on Refunding Bonds		4,942,494		2,477,860
Net Cash Provided (Used) by Noncapital Financing Activities	\$	68,879,893	\$	(1,126,502)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Purchase of fixed assets	\$	(22,329)	\$	(14,040)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of Investments	\$	(1,049,382,465)	\$	(1,173,189,259)
Proceeds from Sales or Maturities of Investments		1,030,239,300		1,182,924,810
Interest on Investments		9,442,396		9,509,575
Arbitrage Rebate Tax (Note 12)	Ф.	(300,485)	•	(421,329)
Net Cash Provided (Used) by Investing Activities	_\$	(10,001,254)	_\$	18,823,797
Net Increase (Decrease) in Cash and Cash Equivalents	\$	5,947,542	\$	2,100,591
Cash and Cash Equivalents,beginning bal. Prior Period Adjustment	\$	7,870,436	\$	5,771,587 (1,742)
Cash and Cash Equivalents, ending bal.	\$	13,817,978	\$	7,870,436

The accompanying notes to the financial statements are an integral part of this statement.

#### MONTANA BOARD OF HOUSING A COMPONENT UNIT OF THE STATE OF MONTANA STATEMENT OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	 FY 2007	 FY 2006
Operating Income	\$ 6,238,978	\$ 2,050,333
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:		
Depreciation	23,855	30,142
Amortization	350,462	443,182
Interest Expense	42,749,511	38,139,556
Interest on Investments	(11,473,225)	(9,578,702)
Arbitrage Rebate Tax	356,308	300,379
(Incr) Decr in Fair Value of Investments	1,022,965	2,958,275
Change in Assets and Liabilities:		
Decr (Incr) in Mortgage Loans Receivable	(87,367,047)	(47,338,337)
Decr (Incr) in Other Assets	(974,087)	(111,910)
Incr (Decr) in Accounts Payable	168,594	(24,545)
Incr (Decr) in Deferred Reservation & Disc. Fees	(4,020,206)	(2,468,099)
Incr (Decr) in Compensated Absences Payable	15,124	17,062
Net Cash Provided (Used) by Operating Activities	\$ (52,908,768)	\$ (15,582,664)

The accompanying notes to the financial statements are an integral part of this statement.

#### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Organization:

The Montana Board of Housing (the Board) is a quasi-judicial board created in 1975, by the Legislative Assembly of the State of Montana to facilitate the availability of decent, safe, and sanitary housing to persons and families of lower income as determined in accordance with the Board policy in compliance with the Internal Revenue Code. The Board is authorized to issue negotiable notes and bonds to fulfill its purposes. The total amount of notes and bonds outstanding at any time may not exceed \$1,500,000,000. The discount price of bonds sold, not the face amount of the bonds, counts against this statutory ceiling. Neither the faith and credit nor taxing power of the State of Montana may be pledged for payment of amounts so issued. The Board of Housing is attached for administrative purposes to the Housing Division, Department of Commerce.

#### **Basis of Presentation:**

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The Board implemented GASB Statement No. 34, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments", No. 37, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus" and No. 38, "Certain Financial Statement Note Disclosures". In order to comply with the requirements of the statements noted, the Board's financial statements include a classified statement of net assets, a statement of revenues, expenses, and changes in net assets that reports operating and nonoperating revenues and expenses, and the statement of cash flows. In addition, the "Management's Discussion and Analysis" precedes the financial statements as required supplementary information. Revenues in the proprietary funds are recognized when earned and expenses are recognized when incurred. The financial activities of the Board are recorded in funds established under various bond resolutions and the Montana Code Annotated (MCA). In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statement of net assets and revenues and expenses for the period. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed to the extent they do not conflict with or contradict GASB guidance. The Board has the option of following subsequent private sector guidance for business-type activities but has not elected to do so. The financial statements of the Board are presented on a combined basis. The combining financial information can be found in the supplemental information following these notes.

#### Reporting Entity:

In accordance with governmental accounting and financial reporting standards, there are no component units to be included within the Board of Housing as a reporting entity. The financial statements of the Board of Housing are presented as a component unit in the State of Montana's Basic Financial Statements. The enterprise fund of the Board of Housing is part of but does not comprise the entire proprietary fund type of the State of Montana. The State of Montana directs and supervises budgeting, record keeping, reporting, and related administrative functions of the Board.

#### **Fund Accounting:**

To ensure observance of limitations and restrictions placed on the use of resources by the trust indentures, the Board of Housing accounts are organized in accordance with the principles of fund accounting. This is the procedure by which resources are classified for accounting and reporting purposes into funds established according to their nature and purpose as described in the trust indentures. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, net assets, revenues, and expenses. The funds of the Board are classified as enterprise funds, that is, a fund that is financed and operated in a manner similar to private business enterprises, where the intent of the Board is that the expenses of meeting its organizational purpose be financed or recovered primarily through user charges and investment earnings, and the periodic determination of revenue earned and expenses incurred is appropriate for capital maintenance, public policy, management control, accountability, and other purposes.

#### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Fund Accounting - continued:

Restricted Net Assets - The Board follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 46 – Net Assets Restricted by Enabling Legislation. According to the statement, Net Assets are considered restricted if they are limited as to the manner in or purpose for which they may be used. The Combined Statement of Revenues, Expenses and Changes In Net Assets reports \$146,237,840 of restricted net assets, of which \$146,237,840 is restricted by enabling legislation.

Net Assets – Restricted for Bondholders represent bond program funds that are required to be used for program purposes as prescribed by individual bond indentures. The following describes the restrictions on the Net Assets: The individual bond indentures establish certain funds and accounts as special trust funds to hold the individual indenture funds. Because of the nature of the Board's bonds, these funds and accounts are pledged as collateral for the bonds under the individual program indentures. The individual indentures also set certain mortgage and debt service reserve requirements, restricting funds for these purposes. As disclosed in Note 5 to the financial statements, the mortgage loans receivable are pledged as security for holders of the bonds. Certain indentures also require asset-liability coverage ratios be met as well as cash flow certificates be furnished for any significant change anticipated in the financial structure of an indenture.

Restricted Net Assets also include funds reserved by participants and funds committed to specific projects under various programs established by the Board.

#### Revenue and Expense Recognition:

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The Board records all revenues and expenses related to mortgages, investments, and bonds as operating revenues and expenses.

#### Fund Structure:

The Board's program funds and other funds have been presented on a combined basis, as the Board is considered a single enterprise fund for financial reporting purposes. A description of the funds established by the Board follows:

**Single Family Mortgage Program Funds** - These funds, established under two separate trust indentures adopted on various dates, are established for accounting for the proceeds from the sale of Single Family Mortgage Bonds and the debt service requirements of the bond indebtedness. Activities of these funds are, in general, restricted to the purchase of eligible single family mortgage loans. The mortgage loans must be insured by the Federal Housing Administration or guaranteed by Veterans Administration or Rural Development.

The accompanying combining financial statements include the activity of both Single Family Mortgage Program Funds. The assets of each individual Single Family Mortgage Program Fund are restricted by the Fund's respective trust indenture; therefore, the total does not indicate that the Single Family Mortgage Program Funds' assets are available in any manner other than provided for in the individual trust indentures. The Board has reserved funds for specific loan programs. These loans will be originated from funds available in the Single Family I and II Indentures.

**Multifamily Mortgage Program Funds** - These funds, established under a trust indenture adopted February 23, 1978, as amended and restated as of December 29, 1992, are established to account for the proceeds from the sale of Multifamily Mortgage Bonds, the debt service requirements of the bond indebtedness, and for construction and permanent mortgage loans on multifamily developments being financed from the bond proceeds. The Federal Housing Administration must insure mortgage loans originated prior to December 1992.

#### NOTE 1. <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> <u>Fund Structure - continued</u>

On November 10, 1998, the Board issued \$1,625,000 in Multifamily General Obligation Bonds. These bonds are payable out of any of the Board's moneys, assets or revenue. These funds, established under a trust indenture adopted November 1, 1998, are established to account for the proceeds from the sale of Multifamily Mortgage General Obligation Bonds, the debt service requirements of the bond indebtedness, and for construction and permanent mortgage loans on multifamily developments being financed from the bond proceeds. The mortgage loans originated under this Indenture are not required to be insured by the Federal Housing Administration. The Multifamily Program Fund on the combining financial statements includes activity for both Indentures.

Housing Trust Fund - the Housing Trust Fund was established as a separate trust fund by a resolution of the Montana Board of Housing, adopted February 16, 1989. The Housing Trust Fund was created to finance in whole or in part future housing needs and the establishment of new programs as deemed necessary by the Board and any loans or projects that will provide housing for lower income persons and families with special housing needs. Current programs include, but are not limited to, the Reverse Annuity Mortgage Program (RAM) for senior Montana homeowners and the Cash Assistance Program – Disabled (CAP) to assist disabled individuals and families in the purchase of a single family home. The Housing Trust Fund also includes all activity from the Low Income Housing Tax Credit Program.

Affordable Revolving Loan Account - Under MCA 90-6-133, a Revolving Loan Account was established. The account was established in the state special revenue fund in the state treasury. For purposes of financial reporting, the Board has reclassified this account as an enterprise fund as allowed in GASB Statement No. 34. The money in the loan account is allocated to the board for the purposes of providing loans to eligible applicants. Currently, the account holds loans and resources provided by the Federal Housing and Urban Development Section 8 administrative fee reserve account and the Temporary Assistance to Needy Families (TANF) block grant to the state.

#### Cash and Cash Equivalents:

For the purposes of the combining statement of cash flows, cash and cash equivalents consist of cash held by the State of Montana Treasurer, cash and money market accounts held by trustees, and cash invested in the state's short term investment pool. Cash and equivalents are described in Note 2 of these financial statements.

#### **Investments**:

Effective June 30, 2005, The Board implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40 - <u>Deposit and Investment Risk Disclosures</u>. The applicable investment risk disclosures are described in Note 4 of these financial statements.

Under GASB 31, certain investments are to be reported at fair value. The Board values all of its investments that have a maturity date of over one year at fair value. Those investments that have a maturity date of less than one year are valued at amortized cost. The fair values were based on market prices provided by the Board's trustees.

#### Mortgage Loans Receivable:

Mortgage loans receivable are carried at their uncollected principal balances, adjusted for unamortized mortgage discounts and deferred loan fees, less an allowance for loan losses. Mortgage discounts and loan fees earned after 1988 are amortized using the interest method over the life of the mortgage loans and are accreted to interest income on mortgages. Mortgage discounts for all other program funds are amortized using the straight-line method over the remaining life of the mortgage loans and accreted to interest income.

The Board purchases mortgage loans secured by residences located throughout the State of Montana. Loans must be insured by the FHA (Federal Housing Administration) or private mortgage insurance or guaranteed by the VA (Veterans Administration) or RD (Rural Development) or private mortgage insurers. Guidelines to minimize credit risk are established by FHA, VA, RD & Board policies.

#### NOTE 1. <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> <u>Mortgage Loans Receivable - continued</u>

Interest receivable is accrued on the amount of outstanding mortgage loan principal only if deemed collectible. Accrual on non-performing loans ceases at six months. Estimated losses are determined based on management's judgment, giving effect to numerous factors including, but not necessarily limited to, general economic conditions, loan portfolio composition, prior loss experience and independent appraisals. The reserve for anticipated loan losses represents amounts which are not expected to be fully reimbursed by certain guarantors. The Board incurs mortgage loan service fees with participating loan servicers based on outstanding monthly mortgage loan principal balances. The service fees are paid only when the mortgagee's full monthly payment is collected.

The Board has pledged future revenues collected from mortgages receivable accounts to bondholders for repayment of the mortgage revenue bonds issued by the Board (Note 8). The Board issued these bonds to finance the mortgage loans purchased by the Board's various programs. In accordance with GASB 48, the pledging of these revenues is considered a collateralized borrowing based on the Board retaining control of the receivables and evidenced by the Board's active management of these accounts.

#### Mortgage-Backed Securities:

Mortgage-backed securities reported in the Single Family Programs are pass-through securities created by the Federal National Mortgage Association (FNMA) and purchased by the board. FNMA pools and securitizes qualified Montana mortgage loans from the board's Single Family Programs. Consistent with GASB No. 31, these securities are reported at fair value which may vary from the value of the securities if held to maturity.

#### **Bonds Payable:**

Bonds payable is adjusted for amortized bond premiums and discounts. Bond premiums and discounts are amortized or accreted to interest expenses using the interest method, as an adjustment to yield, over the life of the bonds to which they relate or are expensed upon early redemption of the bonds.

Bond issuance costs, including underwriter discounts, are amortized using the bonds outstanding method over the life of the bonds or are expensed upon redemption of the bonds.

#### Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. These statements contain estimates for Arbitrage Rebate Liability and Allowance for Loan Losses.

#### Capital Assets:

Capital assets are recorded at cost and depreciation is computed using the straight-line method over estimated useful lives of 5 to 10 years. The majority of capital assets consist of computers and software. The capitalization threshold for recording capital assets is \$5,000. Purchases under this threshold are recorded as expenses in the current period.

#### **Compensated Absences:**

The Board's employees earn vacation leave ranging from 15 to 24 days per year depending on the employee's years of service. Vacation leave may be accumulated to a total not to exceed two times the maximum number of days earned annually. Sick leave is earned at the rate of 12 days per year with no limit on accumulation. Upon retirement or termination, an employee is paid for 100% of unused vacation leave and 25% of unused sick leave.

#### NOTE 2. CASH AND CASH EQUIVALENTS

The Board's cash and cash equivalents are held by trustees or by the State of Montana Treasury as cash or short-term investments. At June 30, 2007 and 2006, the carrying amounts of the Board's cash and cash equivalents equaled the bank balances.

Program Funds	2007	2006
Short-Term Investments	\$11,227,962	\$4,504,333
State Short-Term Investment Pool*	1,648,371	2,559,184
Cash Deposited with Trustee Banks**	475,578	415,345
Cash Deposited with State Treasury	466,067	391,574
	\$13,817,978	\$7,870,436

<sup>\*</sup>The State's Short Term Investment Pool (STIP) is managed by the Montana Board of Investments. STIP balances are covered by federal depository insurance or collateralized by securities held by third parties in the Board of Investment's name. Net assets of the pool are equivalent to \$1 per share of the pool.

#### NOTE 3. SECURITIES LENDING

The Board of Housing invests in the State's Short-Term Investment Pool. As part of the pool administered by the Board of Investments (BOI), the Board participates in securities lending transactions. Under GASB 28, the following disclosures are required:

Under the provisions of state statutes, the BOI has, via a Securities Lending Authorization Agreement, authorized a custodial bank, State Street Bank and Trust, to lend the BOI's securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. During the period the securities are on loan, BOI receives a fee and the custodial bank must initially receive collateral equal to 102% of the fair value of the loaned securities and maintain collateral equal to not less than 100% of the fair value of the loaned security. BOI retains all rights and risks of ownership during the loan period.

During fiscal years 2007 and 2006, State Street lent, on behalf of BOI, certain securities held by State Street, as custodian, and received US dollar currency cash, US government securities, and irrevocable bank letters of credit. State Street does not have the ability to pledge or sell collateral securities unless the borrower defaults.

BOI did not impose any restrictions during fiscal years 2007 and 2006 on the amount of loans that State Street made on its behalf. There were no failures by any borrowers to return loaned securities or pay distributions thereon during fiscal years 2007 and 2006. More over, there were no losses during fiscal years 2007 and 2006 resulting from a default of the borrowers or State Street.

During fiscal years 2007 and 2006, BOI and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified plan lenders, in a collective investment pool, the Securities Lending Quality Trust. The relationship between the average maturities of the investment pool and BOI's loans was affected by the maturities of the loans made by other plan entities that invested cash collateral in the collective investment pool, which BOI could not determine. On June 30, 2007 and June 30, 2006, BOI had no credit risk exposure to borrowers.

On June 30, 2007, there were no securities on loan. On June 30, 2006, there were \$41, 971 of securities on loan.

<sup>\*\*</sup>Cash deposits are held at the trustee banks. Net assets are equal to \$1 per share. Based on the opinion of the Board's bond counsel, these funds are insured by the FDIC on a pass-through basis to the owners of mortgage bonds. Thus, each individual bondholder is entitled to \$100,000 of insurance coverage.

#### NOTE 4. INVESTMENTS

The Board invests the following funds; bond proceeds until the amounts are used to purchase mortgage loans, mortgage loan collections until debt service payment dates, and reserves and operating funds until needed. The Board follows Governmental Accounting Standards Board (GASB) Statement No. 40 – <u>Deposit and Investment Risk Disclosures</u>. The applicable investment risk disclosures are described in the following paragraphs.

#### Power to Invest & Investment Policy

Montana statute grants the Board the power to invest any funds not required for immediate use, subject to any agreements with its bondholders and note holders. The Board conducts its investing according to an investment policy which is annually reviewed and follows bond indenture, Internal Revenue Code, and state statutes. The policy prohibits the Board from investing in leveraged investments, including but not limited to derivatives. The Board's policy follows state law by limiting investments to following:

- Direct obligations or obligations guaranteed by the United States of America
- Indebtedness issued or guaranteed by Government Sponsored Entities such as Federal Home Loan Bank System, Federal National Mortgage Association, and Federal Home Loan Mortgage Corporation, for example.
- Certificates of Deposit insured by the Federal Deposit Insurance Corporation.
- Guaranteed Investment Agreements or Repurchase Agreements

#### **Credit Risk**

Credit risk is the risk that the other party to an investment will not fulfill its obligations. Board investment policy mitigates this risk by requiring financial institutions to be rated in either of the two highest rating categories by Standard & Poor's and Moody's Investors Services. The Board enters into guaranteed investment agreements and repurchase agreements as directed by bond indentures. The table included in this note identifies investment agreement participants and their ratings.

#### Credit Risk Concentration

Concentration of credit risk is the risk of loss attributed to the magnitude of an organization's investment with a single investment provider. Board investment policy follows the prudent expert principle as contained in Chapter 17, Part 6, Montana Code Annotated. This principle instructs investing entities to diversify investment holding to minimize the risk of loss. The table included in this note displays both investment provider and investment source diversity.

#### **Custodial Credit Risk**

Custodial credit risk for investments is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover the full value of investments or will not be able to recover collateral securities that are in the possession of an outside party. Board investment policy requires that investment contracts and repurchase agreements be fully collateralized with securities and cash held by the provider's agent and confirmed by the Board's trustee as required by the bond indentures. Securities underlying the investment contracts have a market value of at least 100% of the cost of the investment contract plus accrued interest. Securities underlying the repurchase agreements have a market value of at least 102% of the cost of repurchase agreement.

#### NOTE 4. INVESTMENTS - continued

#### **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board's investment policy does not explicitly address interest rate risk. However, the policy indirectly speaks about interest rate risk by stating that investments are to be held to maturity and not for the intention of generating investment return. Typically, long-term investments are only sold as a result of refunding a bond issue or to meet liquidity needs. The following table displays Effective Duration for appropriate investment types or NA (not applicable) to indicate interest rate risk. All funds and component units of the State of Montana are required to use the duration method to report interest rate risk.

Investment Type & Source	Fair Value June 30, 2007	Moody's <u>Rating</u>	Standard & Poor's Rating	Effective Duration
Investment Contracts				
AIG Matched Funding Corp	\$17,375,601	NR**	NR**	NA
Bayerische Landesbank	6,614,598	NR	NR	NA
Société Générale *	11,954,018	NR	NR	NA
Rabobank Nederland	76,339,392	NR	NR	NA
Trinity Plus Funding Co.	9,207,854	NR	NR	NA
Westdeutsche Landesbank	2,632,408	NR	NR	NA
Total	\$124,123,871			
<b>Government Sponsored</b>				
<b>Entities</b>				
Federal Home Loan Bank	\$29,414,479	AAA	AAA	0.05
Federal National Mortgage Assoc.	54,068,159	AAA	AAA	4.13
Federal Home Loan Mortgage Corp.	9,821,379	AAA	AAA	0.16
Total	\$93,304,017			
U. S. Treasury	\$6,237,621	NA	NA	9.93
Trustee Cash & Money Market Accounts	11,703,540	NA	NA	NA
State Cash & Short-term Pool Accounts	2,114,438	NA	NA	NA
Total	\$20,055,599			
Grand Total	\$237,483,487			

<sup>\*</sup> As of June 30, 2007 original, unexpended bond proceeds of \$ 76,339,392 were on deposit in the 2007B program acquisition fund to be used for the purchase of Single Family Mortgage loans. The 2007B bonds were issued on May 17, 2007.

<sup>\*\*</sup> Investment Contracts are not rated (NR). However, the providers are required to meet ratings described in the Credit Risk section of this note.

#### NOTE 5. MORTGAGE LOANS RECEIVABLE

The mortgage loans receivable are pledged in accordance with individual program indentures as security for holders of the bonds. In accordance with Governmental Accounting Standards Board (GASB) 48, the pledging of Mortgage Loans Receivable is considered a collateralized borrowing. Mortgage loans receivable consist of the following:

2007
2006

Mortgage loan receivables:

Single Family Program Multifamily Program Housing Trust Program Affordable Revolving Loan Account	\$789,769,860 14,631,567 2,348,009 2,578,574 \$809,328,010	\$702,343,163 15,379,143 1,706,519 2,530,492 \$721,959,317
Net mortgage discounts and deferred reservation fees Allowance for loan losses and real estate owned (note 6)	6,497,738 (300,000 \$815,525,748	2,477,535 (300,000) \$724,136,852

#### NOTE 6. ALLOWANCE FOR LOAN LOSSES AND REAL ESTATE OWNED

The following summarizes activity in the allowance for loan losses and real estate owned:

Balance, June 30, 2005	\$300,000
Provision	0
Less: Net loans charged off	0
Balance, June 30, 2006	\$300,000
Provision	0
Less: Net loans charged off	0
Balance, June 30, 2007	\$300,000

The allowance for loan losses includes \$200,000 at June 30, 2007 and 2006 for future estimated losses on real estate owned. Real estate owned property is property that is acquired through foreclosure or in satisfaction of loans and is initially recorded at the lower of the related loan balance, less any specific allowance for loss, or fair market value minus estimated costs to sell. The Board held two real estate owned properties as of June 30, 2007 and two real estate owned properties as of June 30, 2006.

#### **NOTE 7. CAPITAL ASSETS**

Capital assets consist primarily of computer software and equipment and other office equipment. Balances are as follows:

	<u>2007</u>	<u>2006</u>
Capital Assets - Equipment	\$6,195	\$62,665
Capital Assets - Software	55,590	49,832
Accumulated depreciation	(5,575)	(57,493)
Net capital assets	\$52,210	\$55,004

Depreciation and amortization expense included in general and administrative expense was \$22,015 and \$28,358 for the years ended June 30, 2007 and 2006 respectively.

#### NOTE 8. BONDS PAYABLE, NET

to 5.55% maturing in scheduled semi-annual

and June 1, 2034.

installments to December 1, 2023, December 1, 2026, December 1, 2032, June 1, 2033, December 1, 2033,

Bonds payable, net of premium or discount, consists of the follo	wing: Original Amount	<u> 2007</u>	<u>2006</u>
Single Family I Mortgage Bonds:	<u> </u>	<u>===.</u>	
1997 Bonds were refunded on May 15, 2007 by the Single Family I 2007 Series B bonds.	\$91,360,000	\$0	\$37,615,000
1999 Series A-1 and A-2 serial and term bonds 4.35% to 5.75% maturing in scheduled semi-annual installments to December 1, 2012, and on December 1, 2014, December 1, 2020, June 1, 2030 and December 1, 2030			
and December 1, 2031.	60,000,000	14,190,000	17,095,000
2000 Series A-1 and A-2 serial and term bonds 4.15% to 6.45% maturing in scheduled semi-annual installments to December 1, 2012, and on June 1, 2016, June 1, 2019, December 1, 2020, June 1, 2029 December 1, 2031 and June 1, 2032.	87,695,000	11,515,000	15,045,000
	07/070/000	11,010,000	10/010/000
2000 Series B-1 and B-2 serial and term bonds 4.40% to 7.95% maturing in scheduled semi-annual installments to June 1, 2015, and on June 1, 2020, December 1, 2020, December 1, 2029, June 1, 2032 December 1, 2031.	71,940,000	24,805,000	30,835,000
2001 Series A-1 and A-2 serial and term bonds 4.30% to 5.70% maturing in scheduled semi-annual installments to December 1, 2020, December 1, 2023 December 1, 2031, June 1, 2032 and December 1, 2032	71,000,000	25,410,000	32,330,000
2002 Series A-1 and A-2 serial and term bonds 1.70% to 5.60% maturing in scheduled semi-annual installments to December 1, 2022, December 1, 2032 and December 1, 2033.	39,000,000	17,025,000	20,715,000
2002 Series B-1 and B-2 serial and term bonds 2.30%			

52,190,000

28,710,000

34,200,000

#### NOTE 8. BONDS PAYABLE, NET - continued

2005	Original <u>Amount</u>	<u>2007</u>	<u>2006</u>
2005 Series A serial and term bonds 2.80% to 5.60% maturing in scheduled semi-annual installments to December 1, 2013, December 1, 2030, December 1, 2035, and June 1, 2036.	93,785,000	86,590,000	93,455,000
2006 Series A serial and term bonds 3.40% to 5.25% maturing in scheduled semi-annual installments to June 1, 2016, December 1, 2016, December 1, 2025, December 1, 2036, and June 1, 2037.	50,560,000	50,045,000	50,560,000
2006 Series B serial and term bonds 3.75% to 5.50% maturing in scheduled semi-annual installments to June 1, 2016, June 1, 2021, June 1, 2026, June 1, 2037, and December 1, 2037.	72,000,000	71,545,000	72,000,000
2006 Series C serial and term bonds 3.50% to 5.75% maturing in scheduled semi-annual installments to June 1, 2009, December 1, 2016, December 1, 2021, December 1, 2026, December 1, 2031, June 1, 2037 and December 1, 2037.	70,805,000	69,930,000	0
2007 Series A-1 and A-2 serial and term bonds 3.65% to 5.50% maturing in scheduled semi-annual installments to June 1, 2017, December 1, 2019, December 1, 2022, December 1, 2027, December 1, 2032, June 1, 2037, December 1, 2037, and December 1, 2039.	86,015,000	86,015,000	0
2007 Series B serial and term bonds 3.75% to 5.50% maturing in scheduled semi-annual installments to December 1, 2017, December 1, 2022, December 1, 2027, December 1, 2032, December 1, 2037 and June 1, 2038.	83,090,000	83,090,000	0
Bonds outstanding Single Family I Unamortized bond premium Total bonds payable Single Family I		\$ 568,870,000 <u>8,563,530</u> \$ 577,433,530	\$ 403,850,000 4,265,891 \$ 408,115,891

INCIE O. DOINDS I ATABLE, INCI - COTTUINGCO	NOTE 8.	<b>BONDS PAYABLE, NET - continued</b>
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NOTE 8. BONDS PAYABLE, NET - continued	Original		
	<u>Amount</u>	<u>2007</u>	<u>2006</u>
Single Family II Mortgage Bonds: 1985			
Series A, serial, term, Postponed Revenue On Future Income Tax(PROFITS), all redeemed. CABS are reported at accreted value, and scheduled for redemption, in part, in semi- annual installments to December 1, 2004 and December 1, 2015 to June 1, 2016.	\$ 39,999,625	\$ 1,063,518	\$ 1,138,152
1985 Series B, term bonds maturing in scheduled semi- annual installments to June 1, 2011.	74,996,862	480,000	675,000
1994 Outstanding bonds were called December 1, 2007.	25,725,000	0	420,000
1996 Bonds were refunded on March 7, 2007 by the Single Family I 2007 Series A bonds.	65,000,000	0	10,805,000
1998 Series A-1 and A-2 serial and term bonds 4.00% to 5.45% maturing in scheduled semi-annual installments to December 1, 2012, and on December 1, 2016, June 1, 2019, June 1, 2027, December 1, 2030 and June 1, 2031.	51,780,000	16,385,000	18,870,000
Series B-1 and B-2 serial and term bonds 4.65% to 5.35% maturing in scheduled semi-annual installments to December 1, 2005 and on December 1, 2013, and on December 1, 2005, December 1, 2016, June 1, 2021, December 1, 2030 and , June 1, 2031.	65,000,000	23,430,000	24,490,000
2003 Series A-1 and A-2 serial and term bonds 1.20% to 4.90% maturing in scheduled semi-annual installments to December 1, 2024, June 1, 2033, December 1, 2033, June 1, 2034, June 1, 2035, June 1, 2042, and December 1, 2042.	52,520,000	40,190,000	44,965,000
2003 Series B-1 and B-2 serial and term bonds 1.10% to 4.50% maturing in scheduled semi-annual installments to December 1, 2023, December 1, 2024, December 1, 2025, December 1, 2026, December 1, 2027, December 1, 2028, December 1, 2032, December 1, 2033, December 1, 2034, December 1, 2041, and December 1, 2042	70, 700, 000	E1 400 000	EQ 770 000
2041, and December 1, 2042.	70,700,000	51,600,000	58,770,000

#### NOTE 8. BONDS PAYABLE, NET - continued

2003	Original <u>Amount</u>	<u>2007</u>	<u>2006</u>
Series C serial and term bonds 1.45% to 5.05% maturing in scheduled semi-annual installments to June 1, 2023, December 1, 2023, December 1, 2028, and December 1, 2034.	40,500,000	28,885,000	33,930,000
2004 Series A serial and term bonds 1.40% to 5.00% maturing in scheduled semi-annual installments to December 1, 2023, June 1, 2024, June 1, 2029, December 1, 2029, and June 1, 2035.	50,600,000	36,030,000	43,030,000
2004 Series B serial and term bonds 1.85% to 5.75% maturing in scheduled semi-annual installments to December 1, 2014, June 1, 2015, December 1, 2024, December 1, 2030 and December 1, 2035.	68,000,000	52,390,000	61,980,000
2004 Series C serial and term bonds 2.00% to 5.00% Maturing in scheduled semi-annual installments To December 1, 2016, December 1, 2025, December 1, 2030, June 1, 2035, and December 1, 2035.	54,600,000	46,470,000	52,095,000
2005 RA Series A serial and term bonds 4.10% to 4.75% maturing in scheduled semi-annual installments to December 1, 2016, December 1, 2017, December 1, 2021, December 1, 2026, December 1, 2027, and June 1, 2044.	30,280,000	27,675,000	29,465,000
Bonds outstanding Single Family II Unamortized bond premium / discount Total bonds payable Single Family II		\$ 324,598,518 3,992,747 \$ 328,591,265	\$ 380,633,152 4,799,354 \$ 385,432,506
Total Single Family Mortgage bonds payable, ne		\$ 906,024,795	\$ 793,548,397

All single-family mortgage bonds are subject to mandatory sinking fund requirements of scheduled amounts commencing at various dates and to optional redemption at various dates at prices ranging from 100% to 103%.

Single Family I and II mortgage bonds are general obligation bonds of the Board of Housing within the individual bond indenture.

#### NOTE 8. BONDS PAYABLE, NET - continued

Board of Housing Essential Workers' Program

The Board has authorized the issuance of \$1,000,000 of taxable general obligation bonds to finance second mortgage shared appreciation loans to provide assistance to Ravalli County teachers. As of June 30, 2007, no bonds have been issued.

The Board has authorized the issuance of \$ 250,000 of taxable general obligation bonds to finance second mortgage shared appreciation loans to provide assistance to essential employees in rural areas within fifteen miles of Manhattan, Three Forks, Amsterdam, Churchill and Willow Creek, Montana. As of June 30, 2007, no bonds have been issued.

	Original <u>Amount</u>	<u>2007</u>	<u>2006</u>
Multifamily Mortgage Bonds:			
1978 -			
Series A, 6.125% interest, maturing in scheduled			
annual installments to August 1, 2019.	\$4,865,000	\$830,000	\$865,000
1996			
Series A, 4.10% to 6.15% interest, serial and term			
bonds, maturing in scheduled annual			
installments to August 1, 2011, and on			
August 1, 2016, and August 1, 2026.	890,000	720,000	740,000
1000			
1998 Sories A 2 50/ to 4 700/ interest sorial and term			
Series A 3.5% to 4.70% interest, serial and term bonds, maturing in scheduled annual			
installments to August 1, 2014 and on			
August 1, 2029.	1,625,000	1,225,000	1,250,000
71agust 1, 2027.	1,023,000	1,220,000	1,230,000
1999			
Series A 4.95% to 8.45% interest, term			
Bonds, maturing in scheduled semi annual			
installments to August 1, 2008, August 1, 2010,			
August 1, 2016, August 1, 2025, August 1, 2030,			
August 1, 2037, August 1, 2041 and August 1, 2039.	9,860,000	<u>8,570,000</u>	<u>8,765,000</u>
Total bonds outstanding		11,345,000	11,620,000
Unamortized bond premium		(40,651)	(41,820)
Total Multifamily Mortgage bonds payable, net		<u>\$ 11,304,349</u>	<u>\$ 11,578,180</u>

All Multifamily mortgage bonds are subject to mandatory sinking fund requirements of scheduled amounts commencing at various dates and to optional redemption at various dates at prices ranging from 100% to 102%. The 1998A Multifamily bonds are general obligations of the Board.

Combined Total Single and Multifamily bonds payable, net \$917,329,144 \$805,126,577

#### NOTE 8. BONDS PAYABLE, NET - continued

The following is a summary of bond principal and interest requirements as of June 30, 2007:

<u>-</u>	0: 1 5 "	NA INC. 11	Single and		Single and
Fiscal	Single Family	Multifamily	Multifamily		Multifamily
Year	Principal and	Principal and	Principal		Interest
<u>Ending</u>	Interest Total	Interest Total	Only Total		Only Total
2008	\$ 55,864,700	\$ 971,144	\$ 11,735,000	\$	45,100,844
2009	58,113,273	970,847	14,675,000		44,409,119
2010	57,781,283	973,768	14,960,000		43,795,051
2011	57,775,568	970,581	15,605,000		43,141,149
2012	57,660,131	965,753	16,185,000		42,440,884
2013-17	295,823,387	4,314,568	100,433,391		199,704,564
2018-22	297,997,765	3,742,907	129,185,000		172,555,673
2023-27	307,574,849	3,468,557	176,260,000		134,783,406
2028-32	294,338,453	2,874,110	212,470,000		84,742,563
2033-37	207,026,301	2,719,755	177,965,000		31,781,056
2038-42	35,032,633	2,286,474	33,505,000		3,814,106
2043-47	3,369,950	 -	3,225,000		144,950
Total	\$1,728,358,292	\$ 24,258,463	\$ 906,203,391	\$	846,413,364

Cash paid for interest expenses during the years ending June 30, 2007 and 2006 was \$43,297,738 and \$38,139,595, respectively.

#### Changes in Bonds Payable

	6/30/2006			6/30/2007
	Balance	Increases	Decreases	 Balance
Single Family	\$ 793,548,397	244,311,114	(131,834,716)	\$ 906,024,795
Multi Family	11,578,180		(273,831)	 11,304,349
Total	\$ 805,126,577	244,311,114	(132,108,547)	\$ 917,329,144

#### NOTE 9. LOSS ON REDEMPTION

During the years ended June 30, 2007 and 2006 the Board redeemed Single Family mortgage program bonds prior to scheduled maturity as follows:

	<u>2007</u>	<u>2006</u>
Single Family I		
December 1	\$21,050,00	0 \$25,105,000
June 1	13,185,00	0 10,770,000
	34,235,00	0 35,875,000
Single Family II		
December 1	22,809,82	9 46,804,127
June 1	17,215,00	0 23,915,000
	40,024,82	9 70,719,127
Multifamily		0 0
·		
Total	\$ 74,259,82	9 \$106,594,127

All such Bonds were redeemed at par or 100% of their compounded value to date of redemption. Unamortized discounts and cost of issuance associated with the bonds redeemed were expensed at time of redemption and are reported as losses on redemption of \$ 591,218 and \$947,732 in 2007 and 2006, respectively.

#### NOTE 10. COMMITMENTS

The Board has reserved and is in the process of purchasing Single Family Mortgages of approximately \$7,682,985 and \$63,561,014 from the issuance of the 2007 Series A and 2007 Series B Bonds, respectively.

The Board has committed to purchase Single Family Mortgages as noted below:

Neighborhood Housing Services MT Home Ownership	as noted belov
Network Lender Pool	\$1,065,955
MT Home Ownership Network Lender Pool	1,483,916
FNMA Home Ownership	1,148,919
District XI Human Resource Council Missoula	700,000
Teachers Conventional Loans	425,188
Manhattan State Bank Essential Employees	1,350,000
Lake County	1,063,825
Butte Housing Authority	750,000
GR8 Hope	1,757,878
GAP Financing Program	692,818
Foreclosure Prevention	50,000
Disabled Affordable Accessible Homeownership	
Program	1,032,967
Lot Refinance	869,252
Habitat for Humanity	576,613
HUD Section 184-Indian Housing	1,592,307
Chippewa Cree	2,000,000
USDA Rural Housing Development	604,136
Down Payment Pool	<u>5,996,853</u>
Total Single Family Commitments	\$23,152,201
Other Commitments—	
Single Family I commitment:	
Reverse Annuity Mortgage Program Future Loans	\$750,000
Multifamily commitment:	
Financing Adjustment Factor Subsidy Set aside	
(restricted by agreement with HUD)	\$216,412
Housing Trust Fund commitment:	¢2./02.055
Reverse Annuity Mortgage Program Existing Loans	\$2,690,255

These mortgage commitments will be funded through cash and investments.

During the ordinary course of business, the Board incurs expenses under various cancelable leases for rental of equipment and maintenance contracts.

#### NOTE 11. EMPLOYEE BENEFIT PLANS

The Board of Housing and its employees contribute to the Public Employees' Retirement System (PERS). PERS offers two types of retirement plans administered by the Montana Public Employees' Retirement Administration.

**Defined Benefit Retirement Plan:** The Defined Benefit Retirement Plan (DBRP) is a multiple-employer, cost-sharing plan that provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service and highest average compensation. Vesting occurs once membership service totals five years. Benefits are established by state law and can only be amended by the legislature.

#### NOTE 11. EMPLOYEE BENEFIT PLANS - continued

**Defined Contribution Retirement Plan:** The Defined Contribution Retirement Plan (DCRP), created by the 1999 legislature and available to all active PERS members effective July 1, 2002. This plan is a multiple-employer, cost-sharing plan that also provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are based on the balance in the member's account, which includes the total contributions made, the length of time the funds have remained in the plan, and the investment earnings less administrative costs.

The PERS issues publicly available annual reports that include financial statements and required supplemental information for the plans. Those reports may be obtained from the following:

Public Employees' Retirement Administration P.O. Box 200131 100 North Park Suite 220 Helena, MT 59620-0131 406-444-3154

Contribution rates for the plans are required and determined by State law.

The contribution rates for 2007 expressed as a percentage of covered payroll are as follows:

Employee Employer Total 6.90% 13.80%

The amounts contributed to the plans during the years ended June 30, 2005, 2006, and 2007 were equal to the required contribution each year. The amounts contributed by both the Board and by employees, as required by State law, were as follows:

Fiscal Year 2007 - \$ 49,120 Fiscal Year 2006 - \$ 49,514 Fiscal Year 2005 - \$ 47,719

**Deferred Compensation Plan:** The Board's permanent employees are eligible to participate in the State of Montana's deferred compensation plan. The compensation deferred is not available to employees until separation from State service, retirement, death, or upon an unforeseeable emergency, when still employed and meeting IRS specified criteria. The plan is governed by Internal Revenue Service Code (IRC) Section 457 and Title 19, Chapter 50, Montana Code Annotated (MCA). The Small Business Job Protection Act of 1996 resulted in changes to IRC Section 457 and Title 19, Chapter 50, MCA. Assets of the deferred compensation plan are required to be held in trust, custodial accounts or insurance company contracts for the exclusive benefit of participants and their beneficiaries. For plans in existence as of August 20, 1996, compliance was required by January 1, 1999.

#### NOTE 12. ARBITRAGE REBATE LIABILITY PAYABLE TO U.S. TREASURY DEPARTMENT

The Board has established an accrual for the liability for estimated arbitrage payments due to the Treasury Department in accordance with the Internal Revenue Code. The amount of the rebate in general terms is the difference between the actual interest earned on investments and "allowable" interest as defined by Treasury Department Regulations. Ninety percent of the estimated rebate will be paid to the United States Treasury within 60 days of the end of every fifth bond year until the bonds are retired, at which time 100% of the remaining rebate amount is due.

Beginning Balance July 1, 2006	\$ 1,141,133
Additions	356,308
Reductions	(300,485)
Ending Balance June 30, 2007	\$1,196,956

#### NOTE 13. NO-COMMITMENT DEBT

The Board of Housing is authorized to issue its bonds and to make mortgage loans in order to finance housing which will provide decent, safe and sanitary housing for persons and families of lower income in the State of Montana.

The bonds are not general obligations, debts, liabilities or pledges of faith and credit of the Board but are special limited obligations payable solely from pledged revenues and assets. The Board is not obligated to make payment on the bonds from any of its assets other than those revenues and assets so pledged. The Board has no taxing power. Accordingly, these bonds are not reflected in the accompanying financial statements.

The bonds are not a debt of the state and the state is not liable for the bonds. Neither the state's faith or credit or taxing power is pledged to the payment of bond principal or interest.

Bond Series	<u>Orig</u>	<u>inal Amount</u>	Outstanding a	as of 6/30/2007
Single Family Mortgage Revenue Bonds Series 2005A-1	\$	516,000	\$	250,000
Multifamily Housing Revenue Bonds Series 2006A	\$	2,104,700	\$	2,094,996

#### NOTE 14. REFUNDING AND DEFERRED BOND ISSUANCE COSTS

On September 20, 2006, Series 2006 C was issued in the amount of \$ 70,805,000. Of the proceeds, \$10,805,000 was used as an advance refunding of the Series 1996 A bonds which were refunded on December 1, 2006.

On March 7, 2007, Series 2007 A was issued in the amount of \$ 86,015,000. Of the proceeds, \$36,015,000 was used as an advance refunding of the Series 1997 A bonds which were refunded on June 1, 2007.

The refunding of the 1996A and 1997A bonds resulted in economic gains of \$7,750,063 and differences in cash flow requirements of \$4,522,708.

Under Governmental Accounting Standards Board (GASB) Statement 23, Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities, deferred costs are required to be amortized over the shorter of the life of the refunded bonds or the life of the refunding bonds.

The following costs associated with the refunding were deferred and are being amortized under the GASB 23 guidelines:

#### FY 2007 Refunding:

Cost of Issuance related to the refunded bonds	\$	360,915
Premium paid on the refunded bonds		612,400
Total deferred refunding costs	\$	973,315
Less amortization FY 2007	_	7,717
Amount remaining to be amortized on FY 2007 issues	\$	965,598

#### Prior years' Refundings:

Unamortized Deferred refunding costs from prior years' refunding \$1,510,128

Total unamortized \$2,475,726

#### NOTE 15. SUBSEQUENT EVENTS

On August 9, 2007, the Board issued \$50,600,000 of Single Family Mortgage Bonds Series 2007 C. The Bonds will mature on June 1, 2009, through December 1, 2038, with interest rates from 3.875% to 5.75%. Bond proceeds will be used to purchase single family mortgage loans for the board's Homeownership Program.

On September 12, 2007, the Board issued \$5,100,000 of Multifamily Housing Revenue Bonds Series 2007. Bond proceeds will be used to finance a loan to South Forty Partners, L.P., a Montana limited partnership, to assist in the financing of the acquisition, rehabilitation and equipping of the South Forty Apartments Project, a 101-unit affordable housing development located in Billings, Montana. The bonds are not a general obligation, debt, liability or a pledge of the faith and credit of the Board of Housing and are payable solely from the pledged receipts of the project.

Both bond series are not debts of the state and the state is not liable for the bonds. Neither the state's faith or credit or taxing power is pledged to the payment of bond principal or interest.

# A COMPONENT UNIT OF THE STATE OF MONTANA COMBINING STATEMENT OF NET ASSETS AS OF JUNE 30, 2007 (WITH COMPARATIVE TOTALS AS OF JUNE 30, 2006)

Invested in Capital Assets, Net Restricted for Bondholders: Unrealized (losses) gains on investments Single Family Programs Various Recycled Mortgage Programs Multifamily Programs Multifamily Project Commitments Reverse Annuity Mortgage Program Restricted for Affordable Revolving Loan Program TOTAL NET ASSETS	TOTAL LIABILITIES	Arbitrage Rebate Payable to U.S. Treasury Department Accrued Compensated Absences Total Noncurrent Liabilities	Noncurrent Liabilities Bonds Payable, Net Deferred Refunding Costs	Treasury Department Accrued Compensated Absences Total Current Liabilities	Accrued Interest - Bonds Payable Bonds Payable, Net Arbitrago, Bahata Bayahla ta II S	Accounts Payable Accounts Payable Interfund Payable * Due to Primary Government Convert, Lording 1 Schillty	LIABILTIES	TOTAL ASSETS	Noncurrent Assets Investments Mortgage Loans Receivable Mortgage Backed Securities Deferred Bond Issuance Costs, Net Capital Assets, Net Total Noncurrent Assets	Security Lending Collateral Prepaid Expense Total Current Assets	Current Assets Cash and Cash Equivalents Investments Mortgage Loans Receivable Interest Receivable Interfund Receivable * Due from Primary Government Due from Other Governments	ASSETS
\$ 12,844 (197,631) 52,796,402 - - \$ 52,611,615	\$ 579,562,047	282,262 32,088 \$ 569,755,479	\$ 570,803,530 (1,362,401)	267,330 25,777 \$ 9,806,568	2,593,180 6,630,000	\$ 282,969 - 7,312		\$ 632,173,663	\$ 5,387,444 471,148,513 702,946 5,490,574 12,844 \$ 482,742,321	29,312 \$ 149,431,342	\$ 4,481,299 133,159,701 8,547,381 2,893,394 309,377 4,878	Single Family Indenture I
\$ 16,242 807,554 48,566,036 23,152,201 - 3,440,255 - \$ 75,982,289	\$ 329,999,571	324,638 32,089 \$ 323,019,667	\$ 323,776,265 (1,113,325)	322,724 25,777 \$ 6,979,904	1,286,168 4,815,000	\$ 213,546 309,377 7,312		\$ 405,981,859	\$ 16,565,854 309,196,445 1,658,598 3,063,247 16,242 \$ 330,500,386	29,311 \$ 75,481,473	\$ 3,683,903 62,888,634 7,075,259 1,799,487 3,354 1,525	Single Family Indenture II
\$ 29,086 609,923 101,362,438 23,152,201 - - 3,440,255 \$ 128,593,904	\$ 909,561,618	606,900 64,177 \$ 892,775,146	\$ 894,579,795 (2,475,726)	\$ 16,786,472	3,879,348 11,445,000	\$ 496,515 309,377 14,624		\$ 1,038,155,522	21,953,298 780,344,958 2,361,544 8,553,821 29,086 \$ 813,242,707	\$ 224,912,815	\$ 8,165,202 196,048,335 15,622,640 4,698,881 309,377 8,232 1,525	SINGLE FAMILY PROGRAM FUND TOTALS
\$ 378 (26,644) - 9,822,145 216,412 	\$ 11,625,577	10,751 \$ 11,025,100	\$ 11,014,349	\$ 8,636 \$ 600,477	285,900 290,000	\$ 13,485 2,456		\$ 21,637,868	\$ 1,105,936 14,088,022 165,051 378 \$ 15,359,387	1,729 \$ 6,278,481	\$ 3,370,718 2,285,940 543,545 76,549	MULTIFAMILY PROGRAM FUNDS
\$ 22,746 - 517,786 4,217,770 - \$ 4,758,301	\$ 70,474	8,054 \$ 8,054	₩	6,469 \$ 62,420		\$ 53,873 2,078		\$ 4,828,776	\$ 2,348,009 - 22,746 \$ 2,370,755	\$ 2,458,021	\$ 2,088,740 - - 364,429	HOUSING TRUST FUND
\$	6	<del>(</del>	<b>↔</b>	←	1 1 1	€9		\$ 2,873,344	\$ 2,566,709	\$ 306,635	\$ 193,318 - 11,863 101,454	AFFORDABLE REVOLVING LOAN FUND
\$ 52,210 583,279 101,382,438 23,152,201 10,339,931 216,412 7,658,025 2,873,344 \$ 146,237,840	\$ 921,257,669	606,900 82,982 \$ 903,808,300	\$ 905,594,144 (2,475,726)	\$ 17,449,369	4,165,248 11,735,000	\$ 563,873 309,377 19,158		\$ 1,067,495,510	\$ 23,059,234 799,347,698 2,361,544 8,718,872 52,210 \$ 833,539,558	\$ 233,955,952	\$ 13,817,978 198,334,275 16,178,048 5,241,313 309,377 8,232 1,525	COMBINED TOTALS
\$ 55,004 1,606,245 86,521,510 34,085,292 9,838,105 220,867 4,825,002 2,847,108 \$ 139,999,133	\$ 809,423,981	826,928 88,018 \$ 793,399,678	\$ 794,476,577 (1,991,845)	314,204 46,500 \$ 16,024,303	3,519,431 10,650,000	\$ 440,673 990,000 21,524		\$ 949,423,114	\$ 26,540,652 710,945,504 7,758,388 55,004 \$ 745,299,548	\$ 204,123,566	\$ 7,870,436 177,112,947 13,191,347 4,677,039 990,000 7,328	FY 2006

<sup>\*</sup> Interfund Payable & Receivable records a temporary loan between Board program funds that is expected to be repaid within one year. The loan is excluded from the Board's Statement of Net Assets because it is not an obligation to an external entity. The Statement of Net Assets Current Assets and Current Liabilities balances therefore does not include the amount of this loan.

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2006)

Net Assets, End of Year	Net Assets, Beginning of Year Prior Period Adjustment	Payment to Primary Government Transfers In(Out)* Increase (Decrease) in Net Assets	Operating Income (Loss) Before Transfers	Interest on Bonds Servicer Fees Contracted Services Amortization of Bond Issuance Costs General and Administrative Arbitrage Rebate Expense Loss on Redemption Securities Lending Expense Total Operating Expenses	in Fair Value of Investments Other Income Securities Lending Gross Income Total Operating Revenues  OPERATING EXPENSES	OPERATING REVENUES Interest Income - Mortgage Loans Interest Income - Investments Fee Income Federal Financial Assistance Net Increase (Decrease)
\$ 50,101,013	47,927,664	(1,250,000) 2,173,349	3,423,349	\$ 24,724,867 1,596,686 483,517 648,321 633,816 6229,537 313,343 16 \$ 28,630,103	(194,917) 32,135 16 \$ 32,053,451	Single Family Indenture I  \$ 25,392,279 6,799,524 23,651 763
\$ 78,492,891	76,314,440	(271) 2,178,451	2,178,722	\$ 16,040,036 1,247,059 620,594 399,683 639,485 126,771 277,875 17 \$ 19,351,519	(776,291) 32,135 17 \$ 21,530,242	Single Family Indenture II \$ 17,656,695 4,456,214 18,726 142,746
\$ 128,593,904	124,242,104	(271) (1,250,000) 4,351,800	5,602,071	\$ 40,764,903 2,243,745 1,104,111 1,048,004 1,273,301 356,308 591,218 33 \$ 47,981,622	(971,208) 64,270 33 \$ 53,583,693	\$ 43,048,974 11,255,738 42,377 143,509
\$ 10,012,291	9,612,169	400,122	400,122	\$ 691,069 16,491 25,615 10,664 173,949 -	(51,757) - \$ 1,317,910	PROGRAM FUNDS \$ 871,268 262,795 68 235,536
\$ 4,758,300	3,297,752	1,250,000 1,460,548	210,548	\$ 14,341 200,008 \$ 214,405	\$ 424,953	TRUST FUND \$ 107,663 43,562 273,672
\$ 2,873,344	2,847,108	26,237	26,237	\$ 81 17 17 17 19 19 19 19 19 19 19 19 19 19 19 19 19	\$ 26,337	REVOLVING LOAN FUND  \$ 41,577 (15,242)
\$ 146,237,840	139,999,133	6,238,707	6,238,978	\$ 41,455,972 2,660,236 1,144,148 1,058,667 1,647,275 356,308 591,218 91 \$ 49,113,915	(1,022,965) 64,270 91 \$ 55,352,893	FY 2007  \$ 44,069,482 11,546,853 316,117 379,045
\$ 139,999,133	137,960,360	2,050,333	2,050,333	\$ 37,272,424 2,534,834 1,039,470 362,622 1,645,907 300,379 947,732 609 \$ 44,103,978	<del> </del> ₩	COMBINED TOTALS  2007 FY 2006  .069,482 \$ 38,553,706 .546,853 9,578,702 316,117 315,600 379,045 598,450

<sup>\*</sup> Transfers record the movement of funds between programs. The \$1,250,000 fiscal year 2007 transfer provided funding for the Reverse Annuity Mortgage Program from the Single Family I Program. The transfer is excluded from the Board's Statement of Revenues, Expenses and Changes in Net Assets since the transfer is not made to an external entity.

# MONTANA BOARD OF HOUSING A COMPONENT UNIT OF THE STATE OF MONTANA COMBINING STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2007 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2006)

														Comb	Combined Lotals	tals
	Ø	Single Family Indenture I	_ <u>s</u>	Single Family Indenture II	PRO	SINGLE FAMILY PROGRAM FUND TOTALS	PRO	MULTIFAMILY PROGRAM FUNDS	нои	HOUSING TRUST	드교후	AFFORDABLE REVOLVING LOAN ACCT		2007		2006
CASH FLOWS FROM OPERATING ACTIVITY  Receipts for Sales and Services	es .	23,651	€	19,773	€	43,424	es	68	€	267,730	↔	ı	€9	311,222	€9	315,600
Collections on Loans and Interest on Loans		59,780,821		81,669,232		141,450,053		1,633,478		258,610		58,943		143,401,084		142,053,626
Cash payments for Loans Federal Financial Assistance Receipts		(187,521,863)		(3,182,509) 141,983		(190,704,372) 141,983		235,536		(847,020)		(108,140)		(191,659,532)	Ŭ	(153,394,580) 631,089
Payments to Suppliers for Goods and Services		(2,153,564)		(2,151,035)		(4,304,599)		(116,152)		(32,875)		(1,349)		(4,454,975)	_	(4,287,654)
Payments to Employees		(372,099)		(372,099)		(744,198)		(94,539)		(116,072)		1.		(954,809		(968,617)
Other Operating Revenues		32,914		31,867		64,781				5,942				70,723		67,872
Net Cash Provided (Used) by Operating Activities	es	(130,210,140)	S	76,157,212	S	(54,052,928)	S	1,658,390	↔	(463,684)	S	(50,546)	8	(52,908,768)	8	(15,582,664)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:																
Payment of Principal and Interest on Bonds and Notes  Proceeds from Issuance of Bonds and Notes	€	(99,228,560)	69	(73,213,344)	69	(172,441,904)	69	(964,900)	€1		€9		69	(173,406,804)	€	(154,169,130) 152,840,000
Payment of Bond Issuance Costs		(2,565,797)		,		(2,565,797)								(2,565,797	_	(2,275,232)
Premium Paid on Refunding Bonds  Due From (To) Other Funds*		4,942,494		505 505 -		4,942,494				(990,000)				4,942,494		2,477,860
Transfers in (out)**		(1,250,000)		-		(1,250,000)				1,250,000						0
Net Cash Provided (Used) by Noncapital Financing Activities	69	142,272,612	69	(72,687,819)	69	69,584,793	69	(964,900)	€9	260,000	69		69	68,879,893	69	(1,126,502)
CASH FLOWS FROM CAPITAL ACTIVITIES Purchase of fixed assets	€9		↔		↔				€9	(22,329)			↔	(22,329)	<b>⊕</b>	(14,040)
CASH FLOWS FROM INVESTING ACTIVITIES:										1				1		
Purchase of Investments	€9	(596,052,734)	€	(451,022,731)	↔	(1,047,075,465)	↔	(2,307,000)	↔		↔		€9	(1,049,382,465)	\$	(1,173,189,259)
Proceeds from Sales or Maturities of Investments Interest on Investments		580,126,966 6,787,902		446,991,586 2,349,375		1,027,118,552 9,137,277		3,120,748 262,795		40,765		1,559		1,030,239,300 9,442,396		1,182,924,810 9,509,575
Arbitrage Rebate Tax	•		•	(300,485)	•	(300,485)							•	(300,485	, 	(421,329)
Net Casil Florided (Osed) by investing Activities	6	(9,137,000)	6	(1,302,200)	6	(11,120,121)	6	1,070,343	6	40,700	6	1,008	6	10,001,234	6	10,020,797
Net Increase (Decrease) in Cash and Cash Equivalents	69	2,924,606	€	1,487,138	€	4,411,744	49	1,770,033	€	(185,248)	↔	(48,987)	€	5,947,542	€	2,100,591
Cash and Cash Equivalents, beginning bal.	€9	1,556,693	€	2,196,765	↔	3,753,458	€	1,600,685	↔	2,273,988		242,305	€	7,870,436	€9	5,771,587
Cash and Cash Equivalents, ending bal.	€9	4,481,299	€9	3,683,903	€9	8,165,202	€9	3,370,718	€9	2,088,740	↔	193,318	€9	13,817,978	€9	7,870,436
* Interfund Payable & Receivable records a temporary loan between Roard program funds that is expected to be repaid within one year. The loan is excluded from these loans are the loan is excluded from the loans.	hioon R	oard program fund	9	s expected to be r	D	within one year. Th	ne loan	is excluded from	† he							
							ľ		ī							

<sup>\*</sup>Interfund Payable & Receivable records a temporary loan between Board program funds that is expected to be repaid within one year. The loan is excluded from the Board's Statement of Net Assets because it is not an obligation to an external entity. The Statement of Net Assets Current Liabilities balances therefore does not include the amount of this loan.
\*\*Transfers record the movement of funds between programs. The \$1,250,000 fiscal year 2007 transfer provided funding for the Reverse Annuity Mortgage Program from the Single Family I Program.
The transfer is excluded from the Board's Statement of Cash Flows since the transfer is not made to an external entity.

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2006)

Decr (Incr) in Mortgage Loans Receivable Decr (Incr) in Other Assets Incr (Decr) in Accounts Payable Incr (Decr) in Deferred Reservation & Disc. Fees Incr (Decr) in Compensated Absences Payable Net Cash Provided by (Used for) Operating Activities	ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES: Depreciation Amontization Interest Expense Interest on Investments Arbitrage Rebate Tax (Incr) Decr in Fair Value of Investments Change in Assets and Liabilities:	Operating Income	RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES
<del> </del>	↔	€9	(0)
(147,841,408) (1,097,699) 97,485 (4,120,686) 5,882 (130,210,140)	11,476 467,677 25,218,884 (6,799,537 229,537 194,917	3,423,349	Single Family Indenture I
<del>(</del>	₩	↔	<u>S</u>
60,414,712 256,904 24,242 100,480 5,883 76,157,212	11,826 (129,048) 16,846,643 (4,456,214) 126,771 776,291	2,178,722	Single Family Indenture II
<del>(</del>	₩	↔	PRC
(87,426,696) (840,795) 121,727 (4,020,206) 11,765 (54,052,928)	23.302 338.629 42.065.497 (11.255.738) 356.308 971.208	5,602,071	SINGLE FAMILY PROGRAM FUND TOTALS
<del>ω</del>		↔	MUL PRU
747,576 22,003 2,347 - 1,495 1,658,390	38 11,833 684,014 (262,795) 51,757	400,122	MULTIFAMILY PROGRAM FUNDS
<del> </del>		↔	HOUSI
(639,844) (129,548) 45,771 - 1,864 (463,684)	515 - 47,010	210,548	HOUSING TRUST
<u>Ф</u>		€9	AFFC REV LOA
(48,083) (25,747) (1,251) - - (50,546)	(1,702)	26,237	AFFORDABLE REVOLVING LOAN ACCT
<del>6</del>		€9	
(87,367,047) (974,087) 168,594 (4,020,206) 15,124 (52,908,768)	23,855 350,462 42,749,511 (11,473,225) 356,308 1,022,965	6,238,978	Combined Totals (Memorandum Only) FY 2007 FY
<del>(</del>		€	ed Totals dum On
(47,338,337) (111,910) (24,545) (2,468,099) (7,062 (15,582,664)	30,142 443,182 38,139,556 (9,578,702) 300,379 2,958,275	2,050,333	s N/) FY 2006